Investing to make a mark

Annual Responsible Investing and Climate Strategy Report

ONTARIO TEACHERS' PENSION PLAN

We are Ontario Teachers'

We deliver retirement security to

333,000

working members and pensioners.

We manage

$242.5 billion

in net assets (as of June 30, 2022).

We invest in

50+ countries

through five locations around the world.

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Our bold and ambitious plan

Target	Target	Target
$300B	**67%**	**$50B**
in net assets by 2030	reduction in our portfolio carbon footprint intensity by 2030, relative to 2019 baseline	in green investments

Our purpose:

Invest to shape
a better future

Our mission:

Deliver outstanding service
and retirement security for
our members

Our vision:

Be a trailblazer:
Bold. Ambitious.
Global.

THREE CORE STRATEGIES GUIDE OUR EFFORTS

Culture

We're creating a culture of experimentation, empowerment and entrepreneurship.

Growth

We're focused on delivering long-term growth and performance to remain fully funded.

Impact

We believe we have a responsibility to create a lasting, positive impact on the world.

Evolving our approach to responsible investing

We have long been guided by our Responsible Investing Principles, which are deeply embedded in our internal processes and a consideration at all stages of our investment lifecycle. We incorporate an analysis of environmental, social and governance (ESG) risks and opportunities into all investment decisions and will continue to do so in the future.

Building on our strong foundation of success, we will harness the power of our investment capital and stewardship to make a real-world impact. As leaders in the evolving sustainability landscape, we seek to contribute to increasing measurable, positive social and environmental impacts of our investments. This integrated component of our investment approach will grow over time and is how we will make a lasting, positive impact on the world.

> *Together with our portfolio companies and our partners, we are investing to make a mark.*

Letter from our Chief Investment Officer

The investment environment we operate in today is complex and challenging. We are living during a period of rapid geopolitical, environmental, and social change, while at the same time stakeholder expectations of companies are higher than ever. Against this backdrop, it has never been more important to invest responsibly and with a clear sense of purpose.

Our strategy and actions are evolving to reflect this reality. Traditionally, environmental, social and governance (ESG) factors have been an important consideration when we assessed potential investments. While we will continue to thoroughly assess ESG risks and opportunities as part of our investment decision-making processes, we are increasingly evolving our thinking to consider how we can use our capital in a way that has clear and measurable real-world environmental and social benefits while creating value for our members.

Thus, as part of our bold plan to reach $300 billion in net assets by 2030, our actions will expressly look to create a lasting, positive impact on the world. We believe doing this will result in better risk-adjusted returns over the long term and contribute to the stability of the plan's funded status.

Multi-faceted approach to climate change

Tackling climate change requires a wholesale effort from multiple stakeholders from government to businesses to consumers. Investors have a key role to play, too.

Effective financial management of climate risk and opportunity is essential to our purpose of providing lifetime retirement income to our plan members. In order to do this, we believe it is important to invest in a way that helps accelerate the transition to a low-carbon economy.

To maximize our impact, we have developed a multi-pronged climate strategy, which includes: helping our portfolio companies decrease their emissions, investing in green assets, helping high emitters decarbonize, issuing green bonds, understanding and mitigating physical and transition risks, and developing partnerships to amplify our efforts. While this report addresses each of these strategy components, I'll touch on the first three here.

Decarbonizing the portfolio: Last year was a significant one for us as we committed to reach net-zero greenhouse gases by 2050 and introduced bold interim emissions intensity targets to keep us focused on making progress in the nearer term. Due to efforts across the portfolio, we have seen solid progress so far, having reduced the emissions intensity of our portfolio by over 30% compared to our 2019 baseline. This is a good start, but much work remains to be done to get us to where we want to be.

Helping high emitters decarbonize: Recognizing the urgency of the climate crisis, we have committed to actively investing in select emissions intensive assets with the express goal of helping them decarbonize faster. These investments, which we are referring to as High Carbon

Transition (HCT) assets, will allow us to make a significant real-world impact through decarbonization of high-intensity businesses while also making good returns. We plan to have an initial allocation of around $5 billion to HCT assets. Read more about our approach to investing in HCT assets, including how we plan to measure progress and report on these distinct assets, on page 16.

Significantly increasing green investments: Equally important to transitioning to a low-carbon future is deploying capital into green companies that stand to benefit from the transition. In 2021 alone, we invested over $3 billion toward green assets and we are targeting to further grow our green investments from approximately $33 billion to $50 billion. Examples include a stake in environmental markets innovator and natural resource manager GreenCollar and a portfolio of renewable energy assets from NextEra Energy. In addition, we issued €1.25 billion in green bonds in the last two years. Proceeds are being invested in assets that will form parts of a more sustainable economy.

Using our influence for broader change

We know we can use our influence to build a better world while making good risk-adjusted returns in areas beyond climate. We do this in several ways, including leveraging our more than 300 board seats, exercising our proxy votes, and by refining our own internal policies and practices.

Leveraging our board seats: We have used our influence on private company boards to drive progress on diversity, equity and inclusion (DE&I) issues. We set a goal of reaching 30% representation of women across all board seats we control, which we were able to achieve one year earlier than planned. Looking ahead, we will continue to promote the representation of all forms of diversity around the board and executive tables.

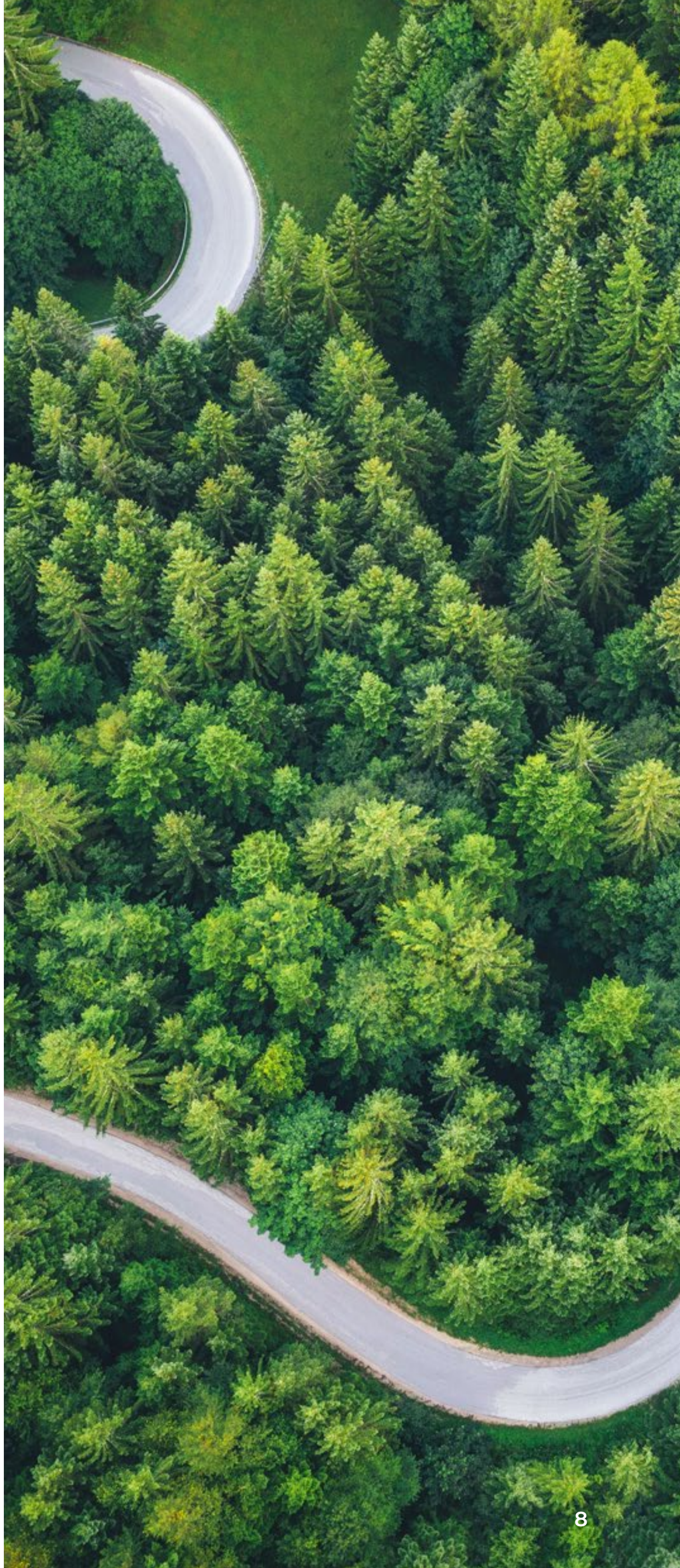
Exercising our proxy votes: In 2021, we voted on nearly 300 shareholder proposals calling for greater action or transparency on a variety of issues from how companies are addressing climate change to DE&I practices to advocating for an independent board chair.

Continuing on our own journey: To be a truly global and diverse organization, we recognize that change starts with us. 46% of our employees identify as Black, Indigenous and People of Colour (BIPOC) and we have 44% female representation at all levels, and women represent more than half of our executive team. This is a good starting point, but there is still a long way to go.

Our plans for tomorrow

We will continue to build on our strong foundation of success embedding important ESG factors into the investment decisions we make. As we look to the future, we will evolve our investment approach to further drive environmental and social benefits that make a positive, real-world impact and help us deliver on our pension promise to our members.

Ziad Hindo
Chief Investment Officer



2021: How we are investing to make a mark

Decreased our portfolio emissions intensity by

32%

(vs. 2019 emissions baseline)

Invested or committed approximately

$5B

in green or transition assets in 2021

Achieved

30%

representation of women across all board seats we control one year ahead of our target

Voted on

~300

environmental, social and governance-related shareholder proposals

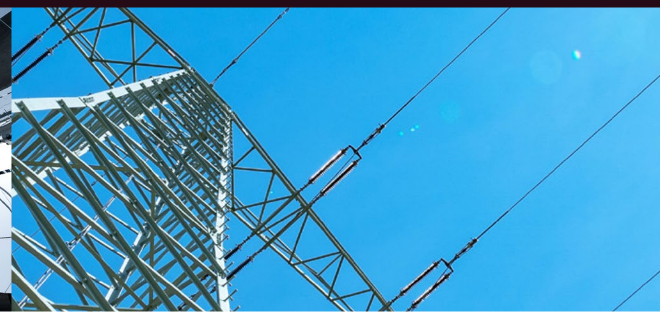
Our climate strategy

Our multi-faceted climate strategy is rooted in driving significant real-world impact

Climate change is one of the biggest challenges of our time. Our strategy reflects our commitment to reduce the environmental impact of our portfolio and capitalize on opportunities supporting the broader transition to a net-zero future in order to make investment returns and pay pensions over the long term.

Decarbonizing our portfolio

Work with public and private companies where we have significant ownership stakes to set them on a decarbonization pathway in line with our net-zero ambition.



Decarbonizing high emitters

Play a key role in the energy transition by accelerating decarbonization of high-emitting businesses to maximize our impact.

Significantly increasing green investments

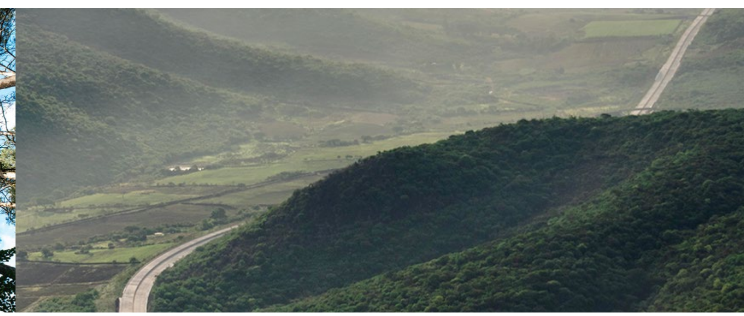
Build our capacity to deploy capital into companies that enable the net-zero transition, reduce emissions and build a sustainable economy.

Advocacy and partnerships

Influence the broader economy shift towards net zero and partnering with like-minded investors.

Green bond issuance

Issue green bonds to fund investments in eligible green assets with measurable impacts that support the transition to a sustainable future.



Portfolio resiliency

Understand and mitigate physical and transition risk exposure while also considering climate change as part of our investment planning process.

Progress on our net-zero journey

We are making headway on achieving net-zero greenhouse gas emissions by 2050.

Our net-zero commitment and interim targets help ensure our long-term trajectory is pointed in the right direction. Just like investment returns, our portfolio carbon footprint may vary and is not expected to have a linear path year after year. For instance, as the economy adjusts to a post-pandemic world and companies revamp operations, carbon emissions could reach pre-pandemic levels. We do expect to see potential fluctuations including increases to our portfolio carbon footprint as a result. That is why we will continue working towards real-world decarbonization and provide significant transparency on our decarbonization efforts and progress.

Net zero by 2050

Interim targets to reduce our portfolio carbon emissions[1] intensity against a 2019 baseline

↓ 45% by 2025

↓ 67% by 2030

Achieved a

↓ 32%

reduction in our portfolio carbon footprint intensity since 2019

Our methodology

Following the industry standard, we use 2019 as our baseline year for measuring progress against our 2025 and 2030 emissions intensity reduction targets. Our portfolio carbon footprint (PCF) calculation is informed by the Partnership for Carbon Accounting Financials, which is one of the only standards currently available for PCF accounting. See page 31 for more information on our PCF calculation methodology.

[1] Since we convert all greenhouse gases to tonnes of carbon equivalent (tCO2e) in our calculations, the terms “greenhouse gas” or “GHG” and “carbon emissions” are used interchangeably in this report.

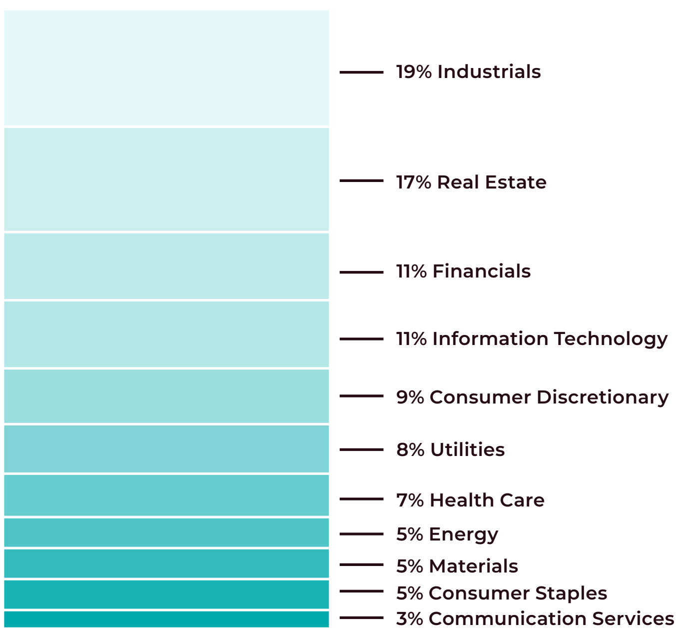
We saw a significant drop in emissions from public equities. This was driven by an ongoing shift from passive to active exposure. Passive investments can have higher carbon intensity because they tend to include high-emitting sectors, such as utilities and materials.

Our private assets, which have grown more than 30% since 2019 and now represent 72% of our PCF's holdings, continue to have significantly lower emissions intensity than other asset classes. One example is our wholly owned subsidiary Cadillac Fairview, which despite having a relatively low carbon intensity, continues to implement significant actions to further reduce carbon emissions.

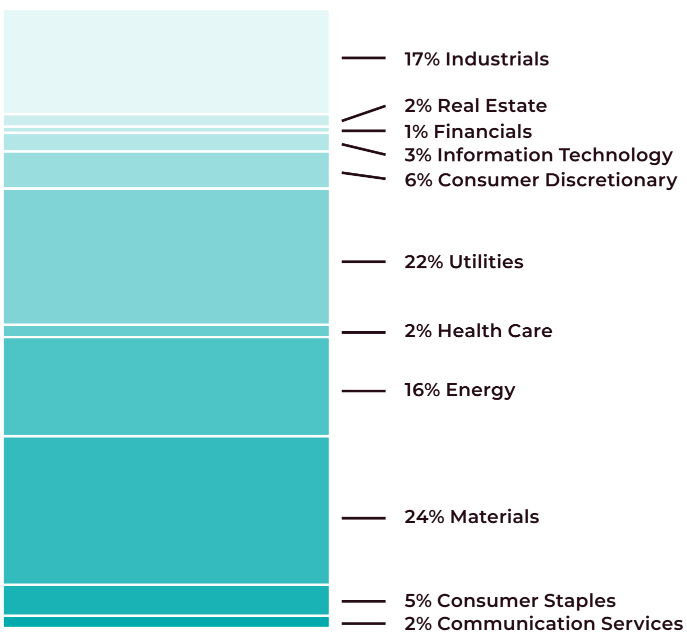
	2021				2019				
Metric	Public Equities	Private Assets	Corporate Fixed Income	Total	Public Equities	Private Assets	Corporate Fixed Income	Total	2021 vs.2019
Value of holdings (C$ millions)	25,952	123,695	21,810	171,457	28,703	94,030	12,073	134,806	27%
Carbon footprint (tCO2e/C$ millions)	41	20	88	32	103	24	88	47	(32)%
Total carbon emissions (tCO2e)	1,070	2,511	1,909	5,490	2,970	2,300	1,057	6,327	(13)%

Sector-based carbon footprint contribution

Share of holdings



Share of emissions



Cadillac Fairview contributes to our net-zero journey

Cadillac Fairview (CF) shares our commitment to supporting the transition to net zero and has an industry-leading approach to reducing its environmental footprint. Guided by its purpose, Transforming Communities for a Vibrant Tomorrow, and in response to the growing urgency on climate change, CF recently announced its commitment to achieve net-zero emissions in its real estate portfolio by 2050. CF's net-zero commitment strives for an interim 35% target in emissions reduction by 2030 (against a 2017 baseline) in addition to the 56% reduction already achieved since 2008.

Through innovative award-winning sustainability programs, CF continues pioneering ways to take real action on climate change and resource protection with a clear focus on carbon, energy, water, waste management and responsible procurement. Their efforts have led to a fully Green certified portfolio, and reduced emissions, energy water and waste.

To achieve these net-zero commitments, CF properties integrate sustainability into how they operate their buildings. For example, in 2021, CF installed 1,900 solar panels on the roof of the CF Chinook Centre, a shopping complex located in Calgary, expecting to generate one million kWh/year to be used on-site and by neighbouring consumers. To further optimize building operations within its portfolio, CF has leveraged artificial intelligence on its building automation systems, weather, and cost data to conserve energy and reduce operational carbon emissions. This innovative technology has been deployed at CF Lime Ridge (a shopping complex in Hamilton, Ontario) and Simcoe Place (an office complex in Toronto) and CF is planning on equipping more properties to deliver further savings and help meet the company's climate action goals.

Beyond conserving energy, in 2021 CF successfully launched its first Low-Waste Sorting Station in Ontario, building on the years of success in Western Canada, and an award winning program. CF Lime Ridge in Hamilton, implemented this state-of-the-art technology to effectively divert food and packaging waste from landfills. The installation is a proactive response to combating waste ahead of the Ontario organics landfill bans in 2022-2023 and the Canada Zero Plastic Waste ban in 2030.

"Sustainability is part of who we are at Cadillac Fairview. Setting renewed targets is an important step towards advancing our industry leading approach inspired by the evolving and critical needs and values of the world today. At CF, we are making clear our commitment to our communities and the future of our planet."

Karen Jalon, Vice President, Sustainability, Energy & Smart Technology, Cadillac Fairview

Since 2008, CF has:

reduced carbon emissions by
56%

reduced energy consumption by
48%

reduced water consumption by
77%

achieved a waste diversion rate of
79%

Decarbonizing our Portfolio

As active, engaged investors, we endeavor to use our influence and experience to help our portfolio companies plan and execute their transition to a net-zero future. In 2021, we set a target to align the portfolio companies in which we have significant stakes (minority or control) to a credible net zero by 2050 plan, or what we are calling a “Paris Aligned Reduction Target” (PART).

Through collaborating with and providing resources to our portfolio companies, we have made progress since PART’s inception in 2021, including creating a decarbonization playbook, with detailed guidance on:

- the case for change, including board and management education;
- carbon footprint baseline development;
- decarbonization levers identification and assessment;
- target setting, validation and communication; and
- guidance on what a credible net-zero plan entails based on internationally recognized standards and initiatives.

As one of the first steps in the net-zero journey is to measure emissions, we focus on increasing carbon reporting from our portfolio companies. This also helps reduce estimated emissions and increases the accuracy of our portfolio carbon footprint. Between 2019 and 2021, we boosted carbon emissions reporting to cover over 80% of emissions in our direct private portfolio, up from 37%. We are now engaging a first wave of select portfolio companies to implement the decarbonization playbook. We have prioritized these companies based on our share of emissions and ownership stake. This helps us focus efforts on the highest-emitting companies to maximize impact where we have actionable influence over emissions.

We know setting credible targets takes time. We have established a two-year grace period for any new investment where the company does not already have emissions reduction targets defined. While standards and common understanding of net-zero targets continue to evolve, we expect companies’ targets to cover scope 1 and 2 emissions, and include scope 3[2] when those are material to the company.

Many companies in our portfolio were already in the process of setting targets or have implemented targets and transition plans. One of our most recent examples is our wholly owned subsidiary Cadillac Fairview (see the case study on page 14).

[2] Scope 1 GHG emissions are direct emissions from sources that are owned or controlled by a company we invest in, such as emissions from fuel consumption within the company’s operations. Scope 2 are indirect GHG emissions from the generation of purchased energy consumed by the company, such as electricity, steam, heating and cooling. Scope 3 emissions are the result of activities from assets not owned or controlled by the company, but that the organization indirectly impacts in its value chain, such as purchased goods and services and use of sold products. Scope 3 emissions include all sources not within an organization's scope 1 and 2 boundary.

% of our portfolio's emissions we expect to be covered by a credible net zero by 2050 plan:

2025	2030
67%	**90%**

Applicable to companies in which we have significant stakes.

Decarbonizing high emitters

In order to be on a Paris-aligned pathway, the world must reduce emissions by approximately 50% by 2030. We are determined to play a meaningful role in accelerating the global net-zero transition. This means more than investing in green assets. An urgent requirement for the world to limit global warming is the rapid decarbonization of high carbon emitting businesses. This is why, as part of our net-zero commitment, we plan to invest in assets to accelerate their path to decarbonization.

We are further advancing our plans by defining the opportunity set and the scale of our investment ambition. Going forward, we are planning to make an initial allocation of approximately $5 billion over the next several years towards what we've defined as "High Carbon Transition (HCT) assets". We believe investing in HCT assets represents a critical opportunity to maximize our positive impact by doing our part to solve a real-world problem, while also generating attractive returns for our members. To support the transition of select HCT assets, our approach will include:

High Carbon Transition assets are very high-emitting companies with credible decarbonization plans that we believe we can accelerate through our capital and expertise.

- **Clear investment criteria.** We define HCT assets as businesses with significant carbon intensity (~10x the average of our portfolio carbon footprint, or around 300 tCO2e/CAD MM) that have, or where we can implement, a credible science-based decarbonization pathway to significantly reduce emissions. Our primary focus will be on high-emitting sectors such as power generation, heavy industry, mining and transportation.
- **Initial allocation of $5 billion.** We are planning to make an initial allocation of approximately $5 billion to HCT assets.
- **Enhanced transparency.** Given the inherent distinction between HCT assets and the balance of our portfolio from a carbon intensity perspective, HCT assets will be tracked separately from our portfolio carbon footprint. To monitor decarbonization progress, specific and rigorous measurement will be developed for each HCT asset that is complementary to, but distinct from our interim targets. We will report regularly on performance towards decarbonization plans and the climate impact of our investments in HCT assets. Consistent with our own portfolio carbon footprint, we expect HCT investments to have annual emissions data assured by a third party.
- **Maintaining our targets and our commitment to net zero.** All of our investment activities are covered by our broader 2050 commitments, including HCT assets. Our interim emissions reduction targets will continue to apply to existing and future assets covered by our portfolio carbon footprint which does not include HCTs. We will continue to report on these targets in our annual report in parallel to the HCT assets. We believe this hybrid approach allows us to maximize our real-world impact while providing significant transparency across HCT assets and the balance of our portfolio.

We are excited to play an active role in this area alongside the broader efforts as part of our net-zero strategy.

[3] Capital invested must have an identifiable contribution to the achievement of the impact objectives

Significantly increasing green investments

Long-term capital has an important role to play in a transition to a low-carbon economy, which is why we have been taking an active approach and steadily growing our green asset exposure over the years. In 2021, we reached more than $33 billion in green investments (green investments are companies that generate clean energy, reduce demand for fossil fuels and build a sustainable economy).

Building our capabilities

We have continued to build our capabilities to deploy capital in growing sectors, including green investments. Our Virtual Energy & Renewables Team (VERT), devoted to understanding the energy transition and how we can best support and invest in it, was established to identify, assess, execute, and manage investment opportunities providing sustainable alternatives that drive towards our net-zero ambition. Only one year after VERT was created, the team has supported the growth of our green investments. VERT helped coordinate our recent investment in Fulcrum BioEnergy, an energy industry disrupter that has pioneered low-carbon transportation fuel. Based in California, Fulcrum developed an innovative, clean and efficient thermochemical process that converts municipal garbage into jet fuel, diesel and gasoline.

In 2021, our Capital Markets team added a new climate factor to our equity systematic strategy, which identifies climate as a factor in its algorithm when buying or selling stocks. Separately, our Developed Markets Fixed Income program participated in Canada's inaugural Green Bond Debt issuance in Q1 2022.

We are also building our capabilities outside the organization with our external portfolio managers. Our external manager program targeted partnerships with funds that have climate-driven mandates, resulting in funding two new managers year-to-date.

Partnering with like-minded investors

Our strategic partnerships position us to collaborate with investors that share our commitment to climate action. Our partnerships also help bring external insights to our team.

In 2021, we made a major capital commitment and became strategically invested alongside the Brookfield Global Transition Fund. With a total of $15 billion, this is the largest private fund ever raised to support the transition to a net-zero economy. Approximately $2.5 billion has been deployed or allocated to date, spanning a range of decarbonization technologies including U.S. and German solar and battery developers, a carbon capture and storage developer and a partnership with a UK battery storage provider.

Please refer to our previous year's Annual Responsible Investing & Climate Change Report to learn more about other collaborations with investors that share our commitment to climate action.

Investor Partner: Macquarie Asset Management

Our recent investment in Corio Generation, a Macquarie Green Investment Group portfolio company, is being put towards developing up to 9 GW of offshore wind worldwide, starting with a portfolio of 14 wind assets in the UK, Ireland, Japan, South Korea and Taiwan. Corio Generation is a specialist offshore wind business and home to one of the largest offshore wind development portfolios.

Putting the environment on the balance sheet with GreenCollar

Environmental offset markets have traditionally been centered on carbon credits. While this is one way to help combat climate change, environmental markets are expanding beyond carbon.

GreenCollar is Australia's largest and most diversified environmental markets platform. It is the leading generator of carbon credits in the local market and has developed projects that improve water quality, preserve biodiversity, and reduce single-use plastics. We invested in GreenCollar because we recognized the positive impact of its scalable and innovative environmental projects that align with our long-term return objectives.

GreenCollar pioneered the development of a Reef Credits Scheme, a first-of-its-kind initiative that seeks to improve water quality at the Great Barrier Reef. Reef Credits aim to improve the water quality of the catchment area which flows into the Great Barrier Reef, an ecosystem that is currently under pressure in part due to nitrogen runoff from nearby farms. Nitrogen is used in fertilizers to promote crop growth, so when that nitrogen enters waterways, it can cause rapid algae growth. These algae blooms trigger outbreaks of other invasive species which end up eating coral faster than it can grow. Farmers can generate Reef Credits by reducing the nitrogen runoff into the ocean and selling the credits to invest in more efficient and sustainable land practices.

Each year, more than 500 tonnes of single use plastic bag waste is generated from Australia's banana production industry. GreenCollar is currently working with banana farmers to deliver a world-first plastics offset solution by collecting and recycling waste plastic from banana farms and rewarding farmers for adopting new waste management practices. The reduction in plastic waste is measured, reported and third-party verified to create plastic credits under the Verra Plastic Standard which can then be sold on a new voluntary market to investors wishing to address their own plastic footprint. GreenCollar is proud to be one of the first project developers globally to offer credits under Verra's Plastic Standard.

"We are putting the environment on the balance sheet. The work we are doing is setting the global standard for high-quality, high-integrity credits to drive positive environmental outcomes at scale."

James Schultz, GreenCollar CEO

Produced

+126 million

Australian Carbon Credit Units

Prevented

30,000+ kg

of nitrogen from entering the ocean

Using green bonds to make an impact

In 2021, our wholly owned subsidiary, Ontario Teachers' Finance Trust (OTFT), issued a second green bond to increase funding for investments in eligible green assets, which support the net-zero transition and a sustainable future. Through this second issuance, we invested in NextEra Energy Resources, a portfolio of wind, solar and energy storage assets (see the case study on page 20).

As of December 31, 2021, net proceeds from OTFT's €1.25 billion in green bond issuances are fully allocated to eligible green assets in our portfolio.

Green Bond Issuances

Issuance Date	EUR	CAD
November 25, 2020	**€ 750,000,000**	$1,162,125,000
November 24, 2021	**€ 500,000,000**	$709,625,000
Total	**€ 1,250,000,000**	$1,871,750,000

The positive impacts provided by all of our eligible green assets fall into four main categories:

i. renewable energy generation and transmission;

ii. energy efficiency;

iii. climate change adaptation; and

iv. natural resources and land use.

The positive impacts under each category are measured and tracked on an ongoing basis. They include renewable energy generated, GHG emissions avoided or removed, water treated and produced, and others. More details on the positive climate impacts that are associated with our eligible green assets can be found in OTFT's most recent Green Bond Report.

"Our green bond issuances highlight our commitment to shaping the transition to a greener economy. The impact of this financial tool is far-reaching since these proceeds can be allocated globally to portfolio companies that help build a sustainable economy."

Audrey Gaspar, Senior Managing Director, Treasury and Integration & Green Bond Council Chair

Building a sustainable energy future with NextEra

The utilities sector has an important role to play in the road to decarbonizing the economy. As the world's largest generator of wind and solar energy and a leader in battery storage, NextEra Energy Resources is leading the way.

In 2021, we acquired a 50% direct interest in a portfolio of 13 wind, solar and energy storage assets across the US from NextEra Energy Resources. Together, these assets have a generating capacity of approximately 2,520 MW, replacing higher carbon energy sources and fulfilling the energy needs for customers across the U.S. in a more sustainable way. For example, in locations with battery storage capabilities, the reliability and resiliency of the renewable energy is improved and excess energy generated can be stored until it is needed.

NextEra Energy Resources' parent company, NextEra Energy, also works to deliver environmental value by minimizing its waste footprint. The company looks for opportunities to reuse and recycle materials in their energy assets prior to developing new ones. For example, the company works proactively with vendors to reuse solar infrastructure components. For its wind assets, in 2021, NextEra recycled 393 turbine blades and has identified an additional 287 fit for recycling.

Through continued investments and innovations in wind, storage, solar and green hydrogen projects, NextEra Energy is leading efforts in the US' power sector to decarbonize the electricity grid. The company also has ambitious plans to decarbonize its own business and produce power with zero-carbon emissions by 2045.

" *NextEra Energy is one of the world's leading renewable energy companies and they share our focus on shaping a better future through the development of sustainable energy.* "

Chris Ireland, Senior Managing Director, Greenfield and Renewables

2,520 MW
generating capacity

13
assets

Our voice for change

Helping our portfolio companies navigate change

Every day, teams across Ontario Teachers' aim to drive positive change with portfolio companies, and more broadly, in the world around us. We do this by encouraging our private and public portfolio companies to consider ESG factors across their boards and employees, operations, and supply chains.

At our private portfolio companies, we roll up our sleeves to help navigate these factors from selecting board members, to advising on operational issues or drawing on the expertise secured from our portfolio of over a hundred private investments. For our public holdings, we execute a corporate engagement program where we seek to speak with board members and key executives to understand how they are addressing important issues like climate change, diversity and human capital management, and offer suggestions, when needed.

Good businesses start with good governance

Good governance practices enable better decisions and better outcomes for businesses and communities. They rely on the clear delineation of roles between the board and management: directors supervise management and management executes its strategy.

Board effectiveness is critical to creating and maintaining sustainable businesses that deliver value over the longer term. In our view, effective boards are made up of diverse individuals with the relevant experience and skills to challenge management and execute their oversight duties. They have strong independent leadership and the appropriate size to ensure the right breadth and depth of oversight. Robust assessment and recruitment practices which account for diversity and inclusion provide the conditions for boards to deliver more constructive oversight. They also have a strong culture rooted in respectful relationships, transparent dialogue, and independence.

Good governance is part of our DNA

1990s

- Ontario Teachers' first CEO Claude Lamoureux advocated for good governance standards and supported shareholder rights
- Published our first proxy voting guidelines

2000 - 2010

- Ontario Teachers' is the first investor globally to publish proxy votes on our website
- Co-founded the Canadian Coalition for Good Governance

2010 - 2020

- Became a signatory for several key responsible investing efforts including the Principles of Responsible Investing, the UK Stewardship Code, and the 30% Club (Canada)
- Made public our approach to gender diversity on boards, stipulating a minimum of three women on boards or 30% gender diversity

2020 - now

- Signed BlackNorth's CEO Pledge against Anti-Black Systemic Racism and to support diversity across Canadian boards and senior leadership
- Good governance continues to be a major focus area within and beyond our organization

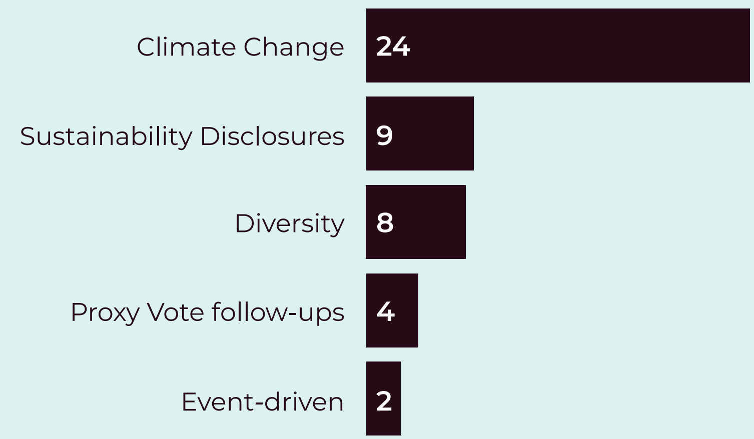
Driving board effectiveness through stewardship

Board effectiveness is critical to creating and maintaining sustainable businesses that deliver value over the longer term. Accountability for behaviour, decision-making, and reporting are central aspects of our engagements with portfolio companies.

Sustained, collaborative engagement with board members and management teams helps ensure the businesses we invest in stay aligned with our expectations.

Corporate engagement as a tool to drive change

In 2021, we conducted over 45 proactive engagements on the following topics:



Stewardship activities that drive effective boards

Proxy voting

Exercising voting rights, holding boards and management accountable and setting expectations of appropriate behaviour.

Corporate engagements

Sharing views and encouraging the adoption of leading practices, either alone or collaboratively with peers.

Issues-based risk management

Providing pre-investment due diligence and monitoring ongoing board performance and new regulations.

Voting to influence change among public companies

Our Proxy Voting Guidelines clearly articulate our views and expectations on a broad array of corporate governance areas. Our guidelines encourage public companies to take actions that we believe are in the best long-term economic interest of stakeholders.

We vote on every ballot proposal

16,106 resolutions

at **915** meetings

in **33** countries, mainly in North America, Europe, Asia and Oceania

In 2021, we voted on nearly 300 shareholder proposals about important ESG topics that seek to drive accountability for how companies interact with the world around them and to create effective board oversight on key issues.

Environmental

- Reporting and action on climate change
- Developing an approach to reporting and/or reducing GHG emissions

Social

- Reviewing political spending or lobbying
- DE&I issues including pay equity reporting

Governance

- Shareholder rights
- Independent board leadership

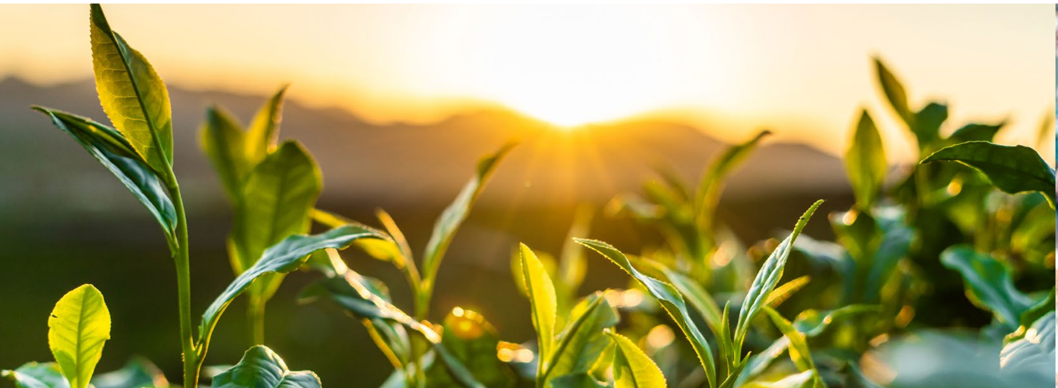
Climate progress beyond the ballot

The availability of climate-related information is crucial to every organization's ability to contribute to the transition to a low-carbon economy. Improved environmental disclosure, paired with transparency, enable companies to measure progress, set targets, and drive meaningful action that produces tangible results. Consistent, standardized and transparent disclosure also helps investors better understand a company's commitment to addressing climate change and compare progress among a company and its peers. A board that is informed and engaged on climate change issues is essential for a company to successfully manage its climate change risks and opportunities.

While improved disclosure remains a leading topic for shareholders, we voted on fewer disclosure-related shareholder proposals in 2021 than five years ago. In other words, less shareholder intervention through filing shareholder proposals is needed because the companies we invest in are increasingly motivated to improve their climate-related measurement, accountability, and disclosure.

What we expect from public companies on climate change

- A clear understanding of how climate risk will materially impact their business
- Implementation of credible net-zero transition plans that include a commitment to achieve net zero on or before 2050, near-term and science-based emissions reduction targets, and details on how they will achieve their targets
- Reporting based on the frameworks set out by the Sustainability Accounting Standards Board (SASB) and the recommendations made by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)
- Board accountability for climate change oversight



Supporting meaningful DE&I progress

Diversity, equity and inclusion are interconnected, which is why all three must be supported to achieve meaningful progress. Companies that support diversity – which we describe as a spectrum of human attributes, perspectives, identities, and backgrounds – create inclusive cultures that are focused on equitable access, opportunity, and advancement. Under these conditions, equitable opportunities are created for everyone and companies are better positioned for success.

In 2021, the number of social-themed shareholder proposals continued to grow from previous years, but investors started shifting their focus beyond heavily discussed gender-based proposals to equity and inclusion. We saw a marked increase in proposals addressing pay equity. We were also introduced to a shareholder proposal requesting companies undertake racial equity audits or civil rights audits. Seeing such audits as a key tool to improve transparency on policies, practices and processes related to gender, race and ethnic equity and inclusion within companies, we supported all five of the shareholder proposals we saw.

What we expect from public companies on DE&I

- Greater diversity on boards, in management, and across organizations
- A minimum of three women on a board or 30% representation of women where there are 12 directors or more
- Developed approaches to diversity through policies or statements, with goals aiming to increase the participation of underrepresented groups on the board and within senior management
- Clear and timely disclosures of diversity efforts
- For US-based companies, reporting of the most recent EEO-1 (Equal Employment Opportunity)

Promoting greater DE&I for public companies and within our organization

We believe more diverse and inclusive teams lead to stronger decisions and results. As expectations around ensuring a diverse and inclusive workplace are broadening to include race, ethnicity, sexual orientation, gender identity, ability, and other characteristics, we are using our influence to create positive change for employees, companies, and industries.

Exercising our proxy voting rights help us push for better DE&I practices among the publicly traded companies we have a stake in. For example, we use our votes to push for greater disclosure related to issues including equal pay, human rights, and race. We also encourage companies to use self-disclosure to show commitment and progress toward creating boards that are diverse beyond gender and include other underrepresented groups.

In 2021, the number of shareholder proposals we voted in the US market addressing workforce diversity doubled, with a significant number receiving majority shareholder support[1]. We also saw a marked shift in DE&I-related shareholder proposals toward including equity, particularly to solve disparities between people involving race or ethnicity, gender, and 2SLGBTQ+ identity.

When it comes to promoting greater DE&I, it is important for us to align our organizational efforts with what we do externally. As part of our own DE&I journey, we are taking an intersectional, global approach on diversity and broadening beyond gender, while not leaving it behind. We engaged a third-party organization (EDGE) to identify our strengths and areas for improvement on topics including policies, equitable pay, education, values, commitment from leadership, and more.

[1] Based on 2021 data provided by the Sustainable Investments Institute (www.siinstitute.org) research and reporting on shareholder proposals filed in the US.

"Diverse teams and an inclusive environment are fundamental to stronger decisions and results. We expect boards and companies to develop plans that are built on a foundation of equity and that strengthen diversity. These plans should be integrated in policies, practices and processes such as hiring, and facilitate upward mobility for individuals from diverse backgrounds."

Stephen McLennan, Executive Managing Director, Total Fund Management

We've been a member of

The 30% Club

since 2017, a global, business-led effort to increase gender diversity.

> *30% is a floor, not a ceiling. Achieving gender balance is only the beginning. Importantly, it's what we do after.*
>
> **Maria Morsillo, Senior Managing Director, Value Creation & Analytics, INR**

Achieving our board diversity target among private companies

A conversation with Maria Morsillo, Senior Managing Director, Value Creation & Analytics, Infrastructure & Natural Resources (INR)

Our commitment to promoting DE&I extends across all of our asset classes. In 2017, we made a commitment to reach 30% representation of women across all 300+ board seats we control among our more than 100 private portfolio companies. We achieved this goal in 2021 and Maria Morsillo was one of the leaders at Ontario Teachers' responsible for this initiative.

How did we meet our goal of increasing representation of women to 30% on our private company boards?

When we examined how many women held board seats on our private companies in 2017, we clearly saw a gender gap and recognized that needed to change. Data empowered us to take actionable steps and informed our decision making in support of this clearly defined goal. Once we set the 30% goal, we became laser focused on reaching it by 2022. Clear deadlines helped speed up the change.

What actions did you take to drive this change?

We changed the way we approached board construction. We started to think of the Board of Directors as a team instead of as a group of individuals. This meant that we considered the portfolio company's strategy and compared it to the experience around its boardroom table allowing us to more precisely define what expertise was needed.

This challenged our thinking and our unconscious biases as we searched for candidates for the roles, and regardless of gender or background, we searched for candidates who possessed leadership skills, have managed a P&L, or have experience managing complex stakeholder environments. We removed requirements such as previous C-level, or board experience, which can be inherently exclusionary for women. We were also more proactive in reaching out to qualified candidates to build a broader pipeline of potential board members. Taking a more thoughtful and systematic approach to recruitment yielded strong results: we tapped into a more diverse talent pool with a deep cross-section of skills and leadership experience and who may not have been considered in years' past.

When we took a close look at the skills around each boardroom table and challenged our biases on the best fit, we found candidates with the leadership skills needed to complement others around the boardroom table. This proved to be a win-win scenario; both in identifying qualified women candidates while also rounding out the skillset in boardrooms.

Why is diversity and gender balance on boards so important?

Research proves that diversity of thought and experience drives better business decision making. It leads to broader skillsets and experience on boards so they're better able to understand and solve complex business problems; avoids groupthink; allows for status quo to be challenged; and deeper discussions around the table. We know that a board is better equipped to manage issues when assessed from multiple angles and is much more effective in addressing the risk of those issues where more perspectives are included. Fostering inclusivity around a boardroom table, and, in fact, at all levels of an organization, helps companies reach their full potential and has benefits for employees, communities, the economy – and beyond.

Achieving 30% is good progress but not the end goal. How do we keep companies motivated and engaged in this journey?

I like to say that 30% is a floor, not a ceiling. Achieving this goal is something to celebrate but it's what we do now – sustain it, increase it and build on it – that will make the most impact. We strive to hold ourselves and our companies accountable. We keep the dialogue open and keep pushing for change. Our efforts go beyond our private-company holdings as we've used our voice to call for at least three women directors on a public company board. Importantly, we support diversity in its broadest sense, and we are working hard at ensuring all forms of diversity are represented around the table. We will keep pressing for the inclusion of more diverse perspectives at the board level and all levels.

Our plans for tomorrow

As a purpose-driven investor we are continuing to focus on our climate goals to best manage our portfolio and to create a sustainable, positive impact in the world by:

1. Actively reducing GHG emissions and accelerating the global energy transition through investments that make a real-world impact;
2. Driving regenerative resource usage through investments that deliver positive environmental impact;
3. Complementing our existing green bond impact metrics to better track progress on climate action and climate solutions; and
4. Developing a more complete accounting of financed emissions for sovereign debt and portfolio company scope 3 emissions.

As we create value for our members, we will use our scale and influence to create better social outcomes over the long-term by focusing on:

1. Identifying investable opportunities that make a positive social impact while delivering on our pension promise to our members;
2. Driving community and employee engagement to help create equal opportunities;
3. Advancing our corporate citizenship efforts in support of a more equitable future; and
4. Partnering with key organizations to advance diversity, equity and inclusion initiatives.

Appendices

Appendix A: Portfolio carbon footprint methodology

Methodology

Our approach is informed by the Partnership for Carbon Accounting Financials, which is one of the only standards available for the portfolio carbon footprint (PCF) accounting.

We use the 2019 as our baseline year for measuring progress against out 2025 and 2030 emission intensity reduction targets. To include as much as possible, we use an enterprise value approach for calculating our portfolio carbon footprint. This method allows for the inclusion of both equity and corporate and fixed income holdings.

In 2021, there were no changes to our enterprise value[4]-based portfolio carbon footprint methodology.

Ontario Teachers' share of emissions: $$\sum_{i=0}^{n} \frac{\text{OTPP's Equity + OTPPDebt in issuer}_i}{\text{Enterprise Value}_i} * \text{Scope 1 and 2 emissions}_i$$

Scope

We calculate the portfolio carbon footprints of the following:

- Shares held in public companies and derivatives positions in our public equity strategies;
- Private assets, including internally and externally managed private equities, infrastructures assets, real estate and natural resources;
- Corporate fixed income, including corporate bonds, external credit funds, credit derivatives and credit inflation-linked securities.

Combined, the portfolios (as defined above) represent over 70% of our net assets as of December 31, 2021. Most of the remainder comes from sovereign debt, primarily Government of Canada bonds. Globally accepted standards and methodologies for considering emissions associated with sovereign debt are still being developed. In the future, the emissions from High Carbon Transition (HCT) assets will not be included in our PCF but will be calculated and tracked separately using the same methodology as above.

Limitations

At the portfolio level, a carbon footprint is not a direct measure of portfolio risk. The implications of higher footprints vary, depending on sector and geography, and companies' supply chain and competitive risks are not captured. All assets face additional risks relating to climate change, not just risks relating to emissions. At the company level, the data do not capture forward-looking dynamics, such as corporate decisions that may reduce future emissions. Many companies still do not report their carbon footprint, necessitating estimation, thus reducing accuracy and making carbon footprints less useful as the basis for engagement or targeting reductions. In addition, because of different reporting timelines and delays in data availability, companies may provide carbon footprint data one to two years after their financial data.

Please refer to Deloitte's independent limited assurance report, which can be found on pages 132-133 of our 2021 Annual Report.

[4] Enterprise value = market cap of equity + book value of long-term debt and current portion of long-term debt. Cash is not deducted.

Emissions data

Public equities or credit: Emissions data was taken from Trucost[5], part of S&P Global. Trucost applies the following approach for estimating emissions:

1. Company reported emissions
2. Estimate based on company-specific factors
3. Proprietary sector-based model

Any public equity or credit holdings not covered by the Trucost database are estimated by proxy using Global Industry Classification Standard (GICS) sub-industry average emissions calculated from Trucost's database.

Private Assets: Carbon emissions were assessed using the following approach, which is similar to Trucost's, in preferential order:

4. Company-reported emissions
5. Estimate based on company-specific factors
6. Estimate based on similar publicly listed companies
7. Proxy based on GICS sub-industry average emissions

The following table breaks down the estimated methods used by number of companies and percentage of holdings:

	Public Equity and Corporate Fixed Income			Private Assets and Corporate Fixed Income			Total	
Methodology/Data Sources	% of Public Emissions	% of Total OTPP Emissions	% of Holdings	% of Private Emissions	% of Total OTPP Emissions	% of Holdings	% of Emissions	% of Holdings
1. Company-reported emissions	45%	18%	47%	46%[6]	28%	47%	46%	47%
2. Estimate based on company-specific factors	20%	8%	23%	3%	2%	3%	10%	7%
3. Estimate based on similar publicly listed companies				4%	2%	6%	2%	5%
4. Proxy based on GICS sub-industry average emissions	28%	11%	19%	47%	28%	44%	39%	39%
5. Trucost models	7%	3%	11%				3%	2%
TOTAL	100%	40%	100%	100%	60%	100%	100%	100%

[5] Source: ©2021 S&P Trucost Limited (Trucost), an affiliate of S&P Global Market Intelligence. All rights in the Trucost data and reports vest in Trucost and/or its licensors. Neither Trucost, not its affiliates, nor its licensors accept any liability for any errors, omissions or interruptions in the Trucost data and/or reports. No further distribution of the data and/or reports is permitted without Trucost's express written consent.

[6] This number is calculated using emissions from all private positions (i.e., direct investment, funds and corporate fixed income). In our direct portfolio, 81% are company-reported emissions.

Appendix B: Influencing through partnerships & endorsements

Below are some examples of how we, together with peers, are influencing the broader environment in which we operate.

	Organization	Description
Member	Accounting 4 Sustainability (A4S)	Works with Chief Financial Officers (CFOs) and their teams across Canada to advance understanding and enhance discussion about sustainability, commercially viable business models and how the finance industry can contribute.
	Asia Corporate Governance Association (ACGA)	Seeks to make improvements to the corporate governance landscape in Asia, through continual research, advocacy and education.
	Canadian Coalition for Good Governance	Promotes good governance practices in Canadian public companies on behalf of institutional investors.
	Council for Institutional Investors (CII)	Promotes policies that enhance long-term value for U.S. institutional asset owners and their beneficiaries.
	Global Real Estate Sustainability Benchmark (GRESB)	Assesses and benchmarks the sustainability performance of real estate and infrastructure portfolios and assets worldwide.
	International Corporate Governance Association (ICGN)	Promotes effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies around the globe.
	Investor Leadership Network (ILN)	International network of investors tackling issues related to diversity in investments, sustainable infrastructure and climate change.
	Principles for Responsible Investing (PRI)	Organization that encourages investors to use responsible investment principles to enhance returns and better manage risks.
	Sustainable Finance Action Council (SFAC)	Leads the Canadian financial sector towards integrating sustainable finance into standard industry practice.
	Value Reporting Foundation (VRF)	Sets sustainability disclosure standards that are industry specific and based on materiality.
Endorse	30% Club (Investor Group)	Engagement campaign to encourage companies to achieve a minimum of 30% women on boards and at the executive management level.
	BlackNorth's CEO Pledge	Signed BlackNorth's CEO Pledge against Anti-Black Systemic Racism and to support diversity across Canadian Boards and senior leadership
	CDP	Not-for-profit that runs a global disclosure system for companies, investors to report on and manage environmental impacts.
	Extractive Industries Transparency Initiative (EITI)	The global standard for the good governance of oil, gas and mineral resources.
	Climate Action 100+	A group of more than 500 investors that engages with the largest global corporate emitters.

ONTARIO TEACHERS' PENSION PLAN