ONTARIO TEACHERS' PENSION PLAN

Building a Sustainable Future for All Our Members

2017 RESPONSIBLE INVESTING REPORT

RESPONSIBLE INVESTING PRINCIPLES

Ontario Teachers' Pension Plan has five responsible investing principles that guide our consideration of environmental, social and governance (ESG) factors across our investments.

1
ESG INTEGRATION

We consider and evaluate ESG factors alongside other risk factors in our investment processes because they can materially impact the value of our investments.

2
ENGAGED OWNERSHIP

We are engaged asset owners and take a responsible approach in our asset management practices. We believe that good governance is fundamental to effective management of ESG factors.

3
CONTINUOUS LEARNING

We expand our knowledge, deepen our understanding and evolve our practices by continually assessing current and emerging ESG risks. We share experiences by fostering a culture of thought leadership and collaboration.

4
SEEKING DISCLOSURE

We seek clear and relevant disclosure of information that may assist us in making investment decisions and monitoring assets.

5
COLLABORATION AND INFLUENCE

We collaborate with like-minded investors to more effectively execute these principles.

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Message from the Chair

Jean Turmel, B.Comm., MA
Chair

A thoughtful and systematic approach to responsible investing is crucial for an organization to stand the test of time. It is also core to our fiduciary duty. The Ontario Teachers' Pension Plan is committed to delivering pensions to every generation of our members. To succeed we must continue to have the right investment strategy, risk management practices, and people.

The board ensures that we have embedded consideration of environmental, social, and governance factors into our culture and processes. This influences how the Ontario Teachers' Pension Plan invests, serves its members, and behaves as an organization – all to keep the pension promise to deliver sustainable pensions for current and future generations of Ontario teachers.

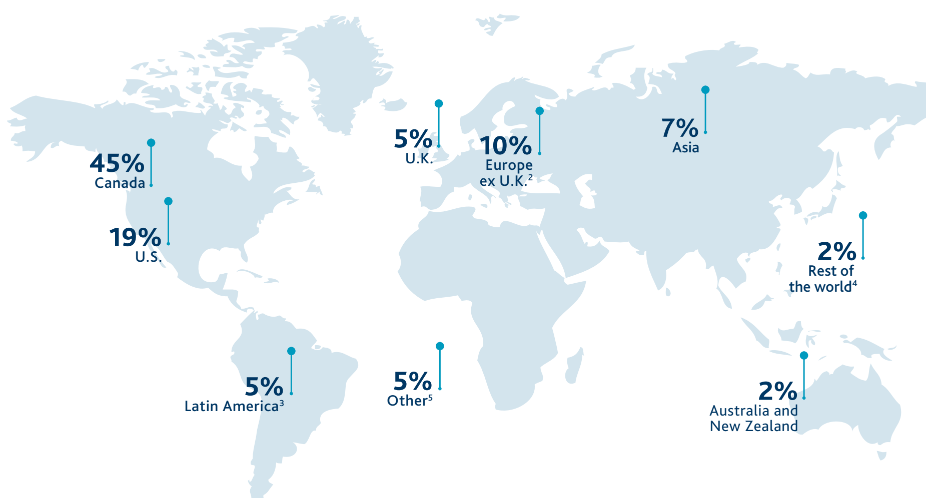
$189.5B
in net assets

323,000
active and retired plan members

OTPP.COM

To learn more about Ontario Teachers', including the plan's funded status, investment and service performance, governance, and financial statements, please consult the 2017 Annual Report on otpp.com.

Geographic Exposures[1]
As at December 31, 2017



[1] *Based on country of primary listing, location of head office, or location of the property.*
[2] *Developed countries only.*
[3] *South and Central Americas and Mexico.*
[4] *Countries not otherwise specified above.*
[5] *Predominantly alternative investment strategies to which a country exposure has not been assigned.*

Letter from the CEO

Our approach to responsible investing is rooted in sustainability. Our mission is to pay pensions for generations to come. Everything we do must support this, including an organization focused on durability, the rigorous care we take in who we hire and partner with, and the way we approach the world in which we live and invest. It is our view that if you treat the world well, the world will reciprocate. This means an enduring strategy that, as its goal, delivers a fully funded plan by focusing on strong performance, managing risk, and actively managing our assets to create value.

Being a steward of long-term capital, a conscientious approach to environmental, social, and governance (ESG) factors is vital to our culture and the way we invest. We understand that ESG factors today will impact our members' futures, and actively managing the related risks and opportunities must be core to our investment strategy. Our Responsible Investing team is in its eighth year, and is a partner to our investment teams both in the consideration of new investments and in managing existing assets.

In part, this means looking for investments in sustainable companies, and walking away from investments where we are not comfortable with the ESG factors, or the company's ability to manage them. We believe looking at opportunities through this lens can give us an edge in capturing value and mitigating downside risk. This year we continued to acquire more assets in clean technologies and climate-resilient infrastructure, such as microgrid and smart-meter investments.

We employ a partnership model across our organization, and this is clearly demonstrated by our engagement approach to responsible investing. We believe encouraging and helping companies adopt responsible, forward-looking business practices can drive long-term value. It is well worth the time and investment. We believe using influence can drive meaningful change and position companies for success. In fact, a recent academic study[1] of 296 multi-year ESG engagements resulted in a reduction in downside risks from successful engagements.

With this context, we will look at some of the important and complex themes in responsible investing that played out over 2017. We will explore how Ontario Teachers' anticipated, responded to, and continues to evaluate these issues – including climate change, clean water rights, cybersecurity and board effectiveness – in the pages that follow.

R Mock.

Ron Mock, B.A.Sc., MBA
President & CEO

[1] *Hoepner, Andreas G. F. and Oikonomou, Ioannis and Sautner, Zacharias and Starks, Laura T. and Zhou, Xiaoyan, ESG Shareholder Engagement and Downside Risk (January 2018). AFA 2018 paper. Available at SSRN: https://ssrn.com/abstract=2874252.*

"We are in a dynamic environment for both the companies we influence and with which we partner. For the eighth year in a row, climate issues have been identified as one of the top five global risks by the World Economic Forum. Climate change and increasing societal expectations are a very high priority in our investment culture. We must earn the required returns to fulfill our mission and ESG factors play a central role in our long-term thinking and our success."

Ron Mock, B.A.Sc., MBA
President & CEO

2017 At a Glance

RESPONSIBLE INVESTING AREAS OF FOCUS

- Climate Change
- Product Lifecycle
- Health, Safety & Engagement
- Water & Waste
- Cybersecurity
- Board Effectiveness

2.1GW
installed capacity of renewables portfolio, equivalent to taking 650,000 cars off the street

1.9 million people receiving improved water delivery and sanitation services from our Chilean water utilities

3 climate change scenarios developed to guide our thinking

12
early warning indicators being monitored to track climate change actions

49 cybersecurity assessments conducted at our private companies

100
corporate engagements conducted

1,730
public company meetings voted

2017 Global Real Estate Sustainability Benchmark Investor Leadership Award for promoting and developing the Infrastructure Assessment

Top 25
most responsible global asset allocators by Bretton Woods II Leaders List

Integration and Engagement

We consider ESG factors in all stages of the investment decision-making process: when assessing opportunities, conducting due diligence, making a decision to invest or not, and ongoing management while we own an investment.

Opportunity Stage/ Identify Trends	Due Diligence/ Analyze ESG Factors	Stewardship/ Monitor Risks

ASSESSING OPPORTUNITIES

A responsible investing lens helps to anticipate long-term impacts on our investments as well as emerging risks and opportunities. This forward-looking view can give us an early mover advantage. It also helps to identify investments that support our long-term investment objectives and those that do not.

CONDUCTING DUE DILIGENCE

Before we make a decision to invest in an opportunity, we undertake a due diligence process to identify the material risks that accompany the investment.

Integration of ESG factors starts by identifying potential risks, followed by an assessment of the company's existing governance and risk management practices to mitigate these risks. We look at ESG metrics that are material to the company in its sector and assess a company's performance on these metrics against its peers and over time. For example, injury rates are material metrics across many sectors. Lastly, we examine whether a company's structures, processes, and practices are effective for managing ESG risks and identifying opportunities. We need to be comfortable with remaining risks before we decide to invest.

In our private company investments, we have additional levers that we can use to protect our interests. For example, we may be able to use shareholder agreements in certain critical business areas, or we may be able to appoint directors to the board.

BEING ACTIVE STEWARDS

We expect our portfolio companies and investment managers to proactively manage material ESG risks and opportunities to protect and create value on behalf of our membership.

While we own a company, we continue to monitor the material ESG risks identified before we invested, and we assess the impacts of emerging ESG risks. We expect companies to provide ongoing information on how they are identifying and managing material ESG risks.

Collective engagement is more effective than divestment. It has improved the quality and quantity of ESG disclosures.

ENGAGEMENT

In addition to integrating ESG factors in our investment process, dialogue with companies is another tool we use to help manage ESG risks in the investment portfolio.

By engaging with companies and policy makers on ESG matters, we seek to improve disclosure practices and effect positive changes in corporate behaviour and policies.

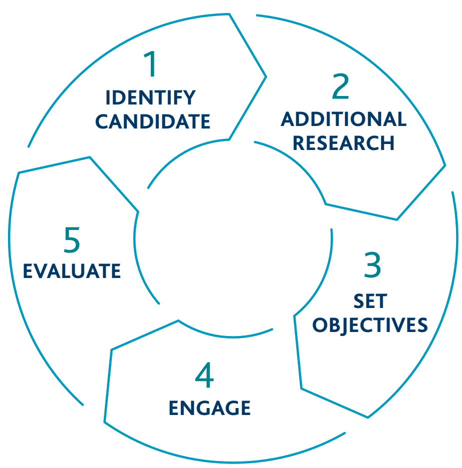
Corporate Engagement Process

We engage either directly with companies, such as our engagement on cybersecurity (see page 10), or with like-minded peers and industry associations, such as our engagements through the Sustainability Accounting Standards Board (SASB) and the Asian Corporate Governance Association (ACGA).

In our private investments, where we tend to have larger ownership stakes and sometimes seats on the board, we generally have more ability to influence and change company behaviour. In our public company investments, our holdings are typically a small proportion of the company. We have two avenues of influence: our vote, and engagement with the board and/or management.

When we engage with companies, we bring a balanced and pragmatic voice to the table. While we expect to see progress, we realize that some complex issues do not have simple solutions, which means engagements can be multi-year efforts. We work with our companies to develop and implement solutions.

Corporate Engagement Process Diagram



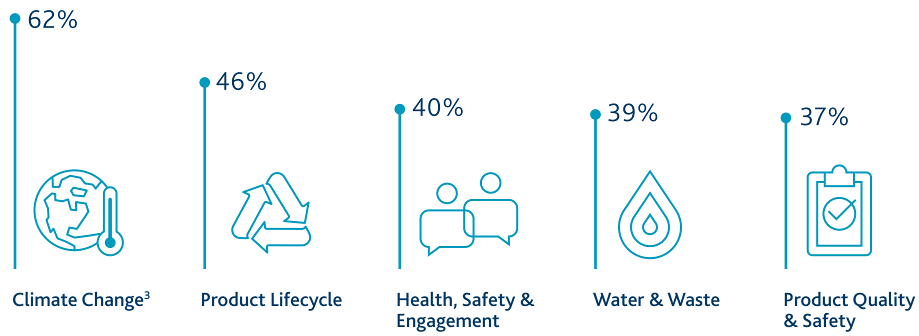
Companies with the highest combination of ownership and risk are flagged for direct engagement, lower-risk companies might be engaged through letter or e-mail.

To learn more about the SASB Materiality Map, visit https://www.sasb.org/materiality/sasb-materiality-map/.

PORTFOLIO MATERIALITY ASSESSMENT

To inform our integration and engagement efforts, we conduct an assessment of our public and private equity portfolios to identify the most significant environmental and social factor exposures using the SASB Materiality Map as a guide. Based on this materiality assessment, climate change is a material ESG factor for 62% of our holdings by market value. Note that this analysis does not indicate how companies are managing these risks, only that this is a material factor for them.

Top 5 Environmental and Social Issues[2]



[2] Source: internal analysis, public and private portfolio companies, as at Dec. 31, 2017, using SASB risk categories.

[3] Climate change includes emissions, and fuel and energy management.

Diligence in the Mining Sector

In December 2017, we announced an agreement with Glencore Canada Corporation to form BaseCore Metals LP. The company is a 50:50 joint venture limited partnership focused on base metals streams and royalties on a number of key producing and development-stage mining properties in North and South America.

In considering the opportunity to invest, we undertook a comprehensive overview of material ESG risks for the mining sector and created a guide on leading practices to provide context to evaluate the ESG factors relevant to all of the assets and operators that were part of the original BaseCore investment.

We benchmarked the ESG practices of the mine operators against global peers to identify areas of strong ESG practices and performance, as well as potential areas for improvement, to better understand the risks we may be undertaking with potential assets and partners.

Glencore is a member of the Voluntary Principles on Security and Human Rights as well as the International Council on Mining and Metals, an industry organization that brings together mining and metals companies in commitments to operate safely and sustainably. It is also an active participant in the Extractive Industries Transparency Initiative.

BaseCore does not have direct exposure to operational risks – streams and royalties are passive ownership structures that provide investors with a share of production, revenue, or cash flow from a mine – but as a responsible investor we wanted to ensure that our partners were strong and sustainable operators.

Going forward, we have implemented a robust governance and due diligence process for the partnership to assess and approve subsequent BaseCore investments and operators as the joint venture grows.

"Our partnership with Glencore presents an opportunity to earn steady cash flows tied to global growth and inflation, as well as support continual improvement in sustainable mining."

Bjarne Graven Larsen, Ontario Teachers' Pension Plan

Delivering Clean Water and Sanitation Services

Members of Ontario Teachers' investment team during an inspection of drinking water samples at Essbio's largest water treatment facility, La Mochita, in Concepción, Chile.

Members of Ontario Teachers' investment team during inspection of water processing systems at Essbio's water treatment facility La Mochita, in Concepción, Chile.

Since 2000, more than US$5.8 billion has been invested primarily by the private sector in upgrading water and sanitation infrastructure in Chile. As a result, the share of the population (urban and rural) benefiting from safely managed drinking water and sanitation services has increased from 91.6% to 98.2%, and from 27.1% to 85.5%, respectively, according to the World Bank. Over the same period, water tariffs in Chile have remained low relative to other OECD countries with similar service levels.

Ontario Teachers' investment in Chilean water utilities has enabled the provision of safe, sufficient, and affordable drinking water for Chileans, and better sewage treatment facilities. Our water utilities are responsible for treating and delivering water to Chileans that meet or exceed the World Health Organization's water guidelines for drinking water quality.

Between 2008 and 2017, our local water utilities Esval, Aguas del Valle, Essbio, and Nuevosur have invested more than US$1.4 billion (combined) in the expansion and modernization of operations, delivering improved service to over 1.9 million clients, with an average increase of only 2%-5% to clients' water bills in real terms over the entire period.

Our utilities have made recent investments in energy generation and waste treatment specifically to protect the environment. They are also planning to secure the availability of water for communities in drought-stricken areas. These plans include the construction of a 13-kilometre pipeline that stretches across two water/drainage basins. It is intended to transport 1,950 litres per second of fresh water to counter the drought affecting the Esval and Aguas del Valle concession zones.

In addition, Esval has allocated capital for the construction of additional equipment that will enhance the ability to deliver drinking water to communities during times of stress brought on by extreme weather conditions.

CYBERSECURITY AT OUR PRIVATE COMPANIES

Cybersecurity is a top priority for Ontario Teachers'. A number of attempted cyber attacks across our portfolio companies prompted a two-year project to help our Private Capital and Infrastructure and Natural Resources companies assess their readiness for a cyber attack.

Cyber attacks are commonplace today and cybersecurity is a constantly evolving area. Companies need to ensure their systems and processes remain robust. We worked with an external expert to identify which portfolio companies would benefit most from an in-depth preparedness and vulnerability assessment.

Twenty-one Private Capital companies, in a range of industries and of various sizes, were invited to do a detailed preparedness and vulnerability assessment sponsored by Ontario Teachers'. Following a similar preliminary assessment of all 28 companies in our Infrastructure and Natural Resources' portfolio, our infrastructure and natural resources companies were tasked with performing a self-assessment. Details of the assessments are provided below.

21
Private Capital companies assessed, almost half the portfolio (by market value).

28
Infrastructure & Natural Resources companies assessed, 100% of the portfolio.

Private Capital Companies

Each of the participating company's strengths and weaknesses were assessed, and a cyber breach was simulated to try to penetrate the company's systems and obtain information. Companies were evaluated through both an in-depth technical IT infrastructure lens as well as a human capital and management lens. The external cyber consultant provided an overview of results to Ontario Teachers', which has board representation at each of the portfolio companies in the assessment. This enabled us to discuss results with management and boards of the companies.

The assessment found that most companies had a robust level of cyber preparedness, but potential areas of risk were brought to light. A variety of specific issues and suggested improvements were identified, such as keeping software patches up to date, using more complex passwords, and being more proactive about periodic security testing. Companies were provided with a list of items to follow up on, and remediation activities are being monitored both at the C-suite and board levels.

"Ontario Teachers' assistance with a cybersecurity review really helped us focus better on risk mitigation. We now have more comprehensive policies and procedures, and are looking at best-in-class technology solutions."
Chief Information Officer, *Food products manufacturer*

Infrastructure & Natural Resources Companies

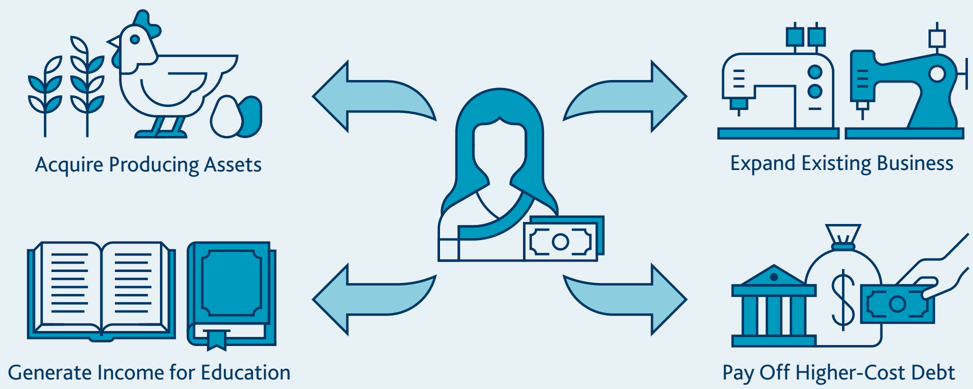
Given the size, complexity, and prominence in the communities where they operate, all companies in the Infrastructure & Natural Resources portfolio performed a self-assessment to determine their cybersecurity risk preparedness and identify any security gaps. The follow-on assessments were tailored for each company: Management teams were asked to report back to their respective boards on their current state of cybersecurity readiness and plans for improvement, if applicable. For several companies, this involved engagement of a third party consultant to revamp their security structures, while for others it was as simple as management incorporating cybersecurity into their audits or giving the board comfort that the proper controls were already in place. Importantly, the approach was right-sized across our portfolio to account for asset size and Ontario Teachers' level of governance.

While the assessments found that the majority of companies were well organized and prepared to prevent and respond to cyber attacks, several improvements were adopted across the portfolio, including increased reporting to the boards, adoption of cyber insurance, increased audit functions, and more frequent security testing.

“The level of risk from cyber threats has never been higher, and is likely to only get worse, given the general move towards a more digital economy. Preparedness is the key, and we wanted to ensure that our portfolio companies were actively managing their individual cyber risk.”

Andrew Krane, *Principal*
Private Capital

Empowering Women in India



Good investments can deliver more than financial results – they can spur positive social change and ripple effects.

In India, more than 150 million households have no access to formal credit because banks won't lend to customers without regular salaries, documented income, or collateral. Pawnbrokers and informal money lenders charge exorbitant interest rates, generally above 60%. Microfinance, an area of banking that extends loans to unemployed or low-income individuals, plays an important role in helping households become self-sufficient.

In 2017, Ontario Teachers' invested in Spandana Sphoorty Financial Ltd., a microfinance institution with 600 branches that provides small unsecured loans, averaging US$250, to women, primarily in rural India. With more than 3,500 employees in 14 states, Spandana focuses on customer education, respect, and transparency. Its loans help women increase household income by starting or improving an existing business, which in turn helps improve family assets and food security. Spandana helps its clients to develop personal and financial goals and to understand how to achieve them.

Before our decision to invest, Ontario Teachers' conducted extensive due diligence on typical investment factors including industry trends, the company and its management team, and legal, tax, political and regulatory risks. We looked at the company's leadership and its governance and risk management frameworks and practices. Microfinance lenders in India are closely regulated relative to many other jurisdictions, with clear guidance on maximum interest rates and amount of total debt allowed per borrower. Collection practices must be non-coercive. We examined the company's marketing and collection practices to ensure fair and non-coercive client interactions. During the diligence phase and after investing, Ontario Teacher' staff, our private equity fund partner, and advisors visited dozens of Spandana branches to verify compliance with policies and regulations.

"We have made loans to more than five million disadvantaged women across India. With our help, women have expanded businesses and started sending their children to school. These loans have made a significant impact in their living standards and enable them to aspire, for the first time, to a better life."

Padmaja Reddy, *Spandana Founder and CEO*

COLLABORATION ON ESG INITIATIVES

Collaboration with like-minded peers around the world allows us to combine resources and amplify our influence with companies. Decisions to collaborate with other investors depend on alignment of objectives and the ability to influence positive change. We collaborate on select direct engagements, and we collaborate with peers in broad industry initiatives that set or raise the bar on ESG management, or help us to manage risk more effectively, through standardized disclosure, for example.

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)

- Ontario Teachers' has been a GRESB member since 2011 and chairs the GRESB Infrastructure Investor Advisory Board
- Received GRESB Investor Leadership Award in 2017 for work in developing the Infrastructure Assessment and promoting sustainability in real estate and infrastructure assets
- Cadillac Fairview, our real-estate subsidiary, achieved top score for sustainability in its peer group

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

- Founding member of SASB's Investor Advisory Group
- Ontario Teachers' reached out to 30 large-cap portfolio companies to encourage their feedback on SASB's sector-specific sustainability disclosure guidance; more than 10 portfolio companies participated

ASIAN CORPORATE GOVERNANCE ASSOCIATION (ACGA)

- Ontario Teachers' commented on Singapore Stock Exchange's decision to allow secondary listing of dual-class shares of companies from other markets (in a dual-class structure, one class of shares has more voting power than another)
- Supported revisions to the Japan Stewardship Code, which required institutional investors to disclose voting results by company and helped to raise awareness about importance of an independent approach to voting

CANADIAN COALITION FOR GOOD GOVERNANCE (CCGG)

- Chair of CCGG board's Environment and Social (E&S) Committee, which is developing guidelines for directors on board oversight and disclosure of E&S factors
- Member of the Public Policy Committee, which updated the Stewardship Principles and Director Compensation Policy and addressed proxy access in the Director Nomination Policy

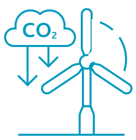
CERES

- Ontario Teachers' contributed to the Ceres Investor Water Toolkit, a guide to help investors evaluate and act on water risks in their portfolios
- We are also collaborating with Ceres in the Climate Action 100+ initiative to engage with the world's highest corporate greenhouse gas emitters

We work to understand the climate change risks and opportunities across all sectors and assets in our portfolio, and how they could impact our total-fund investment strategy. The work done in 2017 by members of our Climate Change Working Group is an important step forward in our understanding.

Climate Change

Climate change effects, and actions to address them, are unfolding in complex and unpredictable ways and will alter the world that we know today. Traditional economic drivers will change. Policies and regulations will evolve. Physical impacts will be diverse.



A low-carbon economy is one that greatly reduces or even eliminates reliance on fossil fuels.

It is in this context that the G20 finance ministers asked the Financial Stability Board to convene the Task Force on Climate-related Financial Disclosures (TCFD) to recommend standard disclosures for climate-related information from organizations. The voluntary recommendations were published in 2017 and are built around four pillars: governance, strategy, risk management, and metrics. Ontario Teachers' supports these recommendations and has begun to align with them in this report. Please refer to page 30 for a key to our TCFD disclosures.

Climate change was identified as a potential risk through our enterprise risk management process in 2007. Since then, we have broadened our understanding of climate-related risks and their impacts, and enhanced our investment processes to systematically consider the potential impacts of ESG risks, including those related to climate change.

The world is transitioning to a low-carbon economy; however, the journey is unprecedented and this presents a great deal of uncertainty. To keep the pension plan sustainable, we need to protect our investments from undue losses, position the plan's investments to do well through the transition, and ensure we continue to earn the investment return we require over the long term.

Ontario Teachers' joined the Climate Action 100+ initiative along with more than 200 investors to engage with the public companies that have the highest greenhouse gas emissions.

Therefore, we:

- Continue to direct capital toward clean-energy alternatives (including renewable generation, micro grids and smart meters) and other climate-related opportunities (including agriculture, transportation, and water-related investments)
- Engage with portfolio companies and our external investment managers to: 1) obtain information to better understand how they assess, manage, and disclose climate risk exposures, including the role of culture and strategy; and 2) encourage them to be proactive in positioning their company or portfolio for the transition to a low-carbon economy
- Continually monitor developments and deepen our knowledge of climate change and transition risks
- Support industry initiatives that help us to manage climate change risk and opportunities, and that are aligned with the long-term objectives of the plan
- Advocate for clear, stable policies and regulations that foster an orderly transition to a low-carbon economy

Climate change-related initiatives have been included in OTPP's corporate scorecards for performance evaluations and compensation in 2017 and 2018.

CLIMATE CHANGE ANALYSIS

Since 2016, an internal Climate Change Working Group composed of senior investment professionals from each of our investment departments has considered the structural shifts that would result from climate change, or actions to mitigate its impacts. The group developed a range of climate change scenarios in 2017 to help colleagues understand the breadth of possible future scenarios, ranging from a low- to high-carbon world. This helps to inform our investment decisions. Read more about this work in the Q&A on the next page.

Scenario analysis is a common tool to help understand complex and uncertain situations such as climate change. Ontario Teachers' created three scenarios that contemplate potential futures to 2030. These were informed by publicly available scenarios and customized for our investment professionals.

Scenario 1
Low-Carbon World

Scenario 2
Pre-2018 World Commitments

Scenario 3
High-Carbon World

Q&A

Ontario Teachers' Climate Change Working Group

We continued to develop a systemic approach to enable the level of understanding needed to support investment decisions on the uncertain path to a low-carbon economy. Olivia Steedman, Managing Director, Greenfield Investments and Value Creation, chairs the working group and described its work.

Q: What are the goals of the Climate Change Working Group?
At a high level, we're trying to create a common language in our Investment Division, a common way of thinking about a transition to a low-carbon economy and what that might look like. This is intended to help us communicate with each other internally, make sure we're able to spot investment opportunities and risks, and be more proactive in doing so. It's about reinforcing our culture and behaviour, so we track and think of climate change developments as a matter of course, the same way we consider the broad implications of any investment, from financial and legal aspects to labour and community impacts.

Q: Where did you begin?
First, we agreed that there are many different factors or catalysts that could affect the nature and speed of a transition to a low-carbon economy. In the end, we decided to focus on five major catalysts: policy and regulation; technology; consumer preferences; capital; and physical impacts. Then we considered plausible futures, given different directions and rates of change in these catalysts. We looked at different ways the world might unfold, depending on what climate-related actions are taken by policy makers, investors, researchers, companies, and consumers.

Q: What scenarios did you look at?
While there are countless possibilities, we landed on three main scenarios: an orderly transition to a low-carbon economy; the status quo; and a high-carbon, highly disruptive climate change scenario. We took some of the existing publicly available climate change scenarios to help shape our thinking, and made adjustments until we felt we had three scenarios that were relevant for investment decision-making.

Our next step was to consider how the scenarios might affect the different sectors and regions in which we invest.

The most significant work came in considering what indicators or "signposts" could help tell us which scenario or pathway we might be heading toward. These signposts can act as an early warning system, indicating, among other things, when certain climate-related opportunities become viable, or when we may be nearing turning points that impact our portfolio decisions.

Q: What's next?
We expect our investment staff will become quicker at spotting changes or trends in signposts that reveal climate-related risks and opportunities to act on. We want staff to use the climate framework we've developed and make it relevant to their own sectors and types of investments.

Carbon dioxide equivalent or "CO_2e" is a common unit for comparing the total global warming impact of different greenhouse gases. The "carbon" in a carbon footprint refers to CO_2e.

CARBON FOOTPRINT

We aim to lead by example. Ontario Teachers' asks portfolio companies for more transparency and disclosure on climate change, and so it is important to provide more information on our exposures as well. We are introducing a carbon footprint of our $35.2 billion[4] global public equities portfolio, as of December 31, 2017.

Determining our carbon footprint is part of our broader effort to manage climate change risks and opportunities across our investments, as well as being a component of meeting the TCFD recommendations. We recognize the limitations of a portfolio carbon footprint. But calculating a carbon footprint, helps inform our internal assessment of some aspects of climate risk exposure, may identify candidates for engagement, and furthers the broader public dialogue around climate-related financial disclosure.

We assessed our global public equities portfolio in terms of total carbon emissions, portfolio carbon footprint, and the weighted average carbon intensity of the companies we invest in. As it is our first year of reporting, historical data is not available.

Methodology

A company's carbon emissions are generally categorized into three scopes. Scope 1 emissions are direct emissions from a company's operations (from manufacturing and owned vehicles, for example). Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 includes other indirect emissions (such as extraction of purchased materials, outsourcing and business travel).

All calculations for the carbon footprint were done by S&P Trucost Limited[5] based on their extensive database. The methodology used for our carbon footprint includes some Scope 3 emissions. While these aren't mandatory in carbon footprints, we believe this inclusion provides a more complete picture of emissions from the companies we invest in.

To determine total carbon emissions, we use the equity ownership approach. This means that if Ontario Teachers' owns 1% of a company, we effectively own 1% of the company's emissions. Total carbon emissions for our public equities portfolio is 7.2 million tonnes CO_2e (tCO_2e).

Our portfolio carbon footprint is then the total carbon emissions divided by the value of our investments in global public equities, or 188 tCO_2e/million CAD invested.

The weighted average carbon intensity is determined by dividing a company's carbon emissions by its revenue, and then allocating those emissions based on our proportionate holding. The weighted average carbon intensity of our portfolio is 234 tCO_2e/million CAD of company revenue.

Portfolio carbon footprint and weighted average carbon intensity will allow for year-over-year comparison of our carbon footprint, despite changes in total funds under management.

Ontario Teachers' 2017 Carbon Footprint[6]

CARBON FOOTPRINT METRIC	RESULTS	METRIC PURPOSE
Total Carbon Emissions (million tCO_2e)	7.2	What is the portfolio's total carbon footprint?
Portfolio Carbon Footprint (tCO_2e/million CAD invested)	188	What is the portfolio's carbon emissions per dollar invested?
Weighted Average Carbon Intensity (tCO_2e/million CAD of company revenue)	234	What is the average carbon efficiency of the companies in the portfolio?

[4] The portfolio used in this calculation includes long and derivative positions benchmarked to equity. It excludes short positions and absolute return strategies.

[5] UK-based S&P Trucost, a division of S&P Global, provides investment-grade carbon and environmental data to investors, companies and governments.

$1.6B

in clean and renewable energy investments, a 28% increase from 2016.

Cadillac Fairview, our wholly owned real estate subsidiary, launched a national electric vehicle charging program to improve charging infrastructure across Canada, while staying ahead of consumer demand. The new networked chargers will provide guests with a unique amenity that promotes sustainability as well as a low-carbon future. Cadillac Fairview is deploying these chargers at 15 office and retail properties in 2017 and 2018.

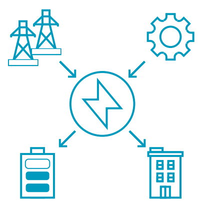
For more information, visit www.cadillacfairview.com.

INVESTING IN THE ENERGY TRANSITION

We expect the global transition to a low-carbon economy will happen in phases. Natural gas, a cleaner fossil fuel than oil or coal, will be in greater demand as a fuel of choice, and renewables will continue to grow in prominence.

Oil will continue to fuel transportation, but will face growing pressure from cleaner alternatives as lower-carbon technologies and infrastructure is built.

The shift to a low-carbon economy will produce significant ripple effects through all sectors of the economy and society, which has implications for investments across the plan. Ontario Teachers' sees investment opportunities in renewables as well as technological advancements that support the transition to a low-carbon economy. Some examples from 2017:



We partnered with Anbaric, a leader in clean-energy transmission, to develop microgrids, or localized power systems, across North America. Our Boston-based development company specializes in early-stage development of large-scale electric transmission systems (such as direct current lines) as well as smart energy campuses and other microgrid projects. Microgrids are tailored to achieve specific energy goals, such as better reliability or cost savings. These projects fall outside the traditional scope of investor-owned utilities and will help Canada and the U.S. meet their renewable energy targets.

We launched MapleCo, with partners, to provide smart meters across Britain as part of the U.K. government's plan to update its energy system. MapleCo is a meter asset provider that partners with U.K. energy suppliers to fund the purchase and installation of smart gas and electricity meters. A smart meter has a component that sends meter readings directly and securely to energy suppliers, and an in-home display showing customers how much energy they're using and what it costs. The display allows customers to identify situations and appliances that use more energy, and make changes to reduce consumption and cut costs. Smart meters are an important step toward a low-carbon electricity grid.

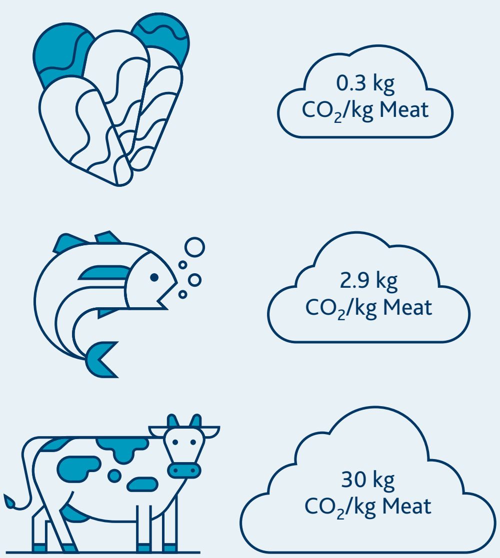
Sustainable Aquaculture

In 2017, Ontario Teachers' acquired Atlantic Aqua Farms in Prince Edward Island, the largest grower of live mussels in North America. It is our first foray into aquaculture, and the investment is well positioned to earn long-term returns for plan members while helping to meet the world's growing demand for food and minimizing strain on the environment. The United Nations Food and Agricultural Organization projects that food production will need to increase 50% over 2013 levels globally by 2050 to meet the demands of a growing population and rising incomes.

The investment is also an innovative way of supporting a transition to a low-carbon economy, since producing mussels emits a fraction of the greenhouse gases produced in raising other common sources of protein.

Atlantic Aqua Farms, headquartered in Orwell Cove, P.E.I., is the largest grower and processor of high-quality P.E.I. blue mussels under the brand names Canadian Cove and Confederation Cove. Blue mussels are the largest volume seafood product in P.E.I., and the company provides significant local employment.

Greenhouse Gas Emissions



Source: Carbon Footprint of Scottish Suspended Mussels and Intertidal Oysters, January 2012. Full report (SARF 078) is available at http://www.sarf.org.uk/

Harvest of P.E.I. rope grown mussels.

Rope-grown P.E.I. mussels were identified as an attractive sub-sector within the seafood sector in part due to their positive environmental attributes. The off-bottom rope culture methodology is ranked favourably by non-government organizations, and there is no external feed, antibiotics, or dredging involved in the culture of P.E.I. mussels. Rope-grown mussels attach to long lines suspended in the water column of coastal waters and obtain nourishment naturally from the ocean water. They are harvested to the surface using boats. Toxins present in the water can accumulate in mussels, so farming often results in increased awareness and monitoring of coastal waters, from both a food-safety and water-quality perspective. In Canada, the shellfish industry is monitored under the federal government's Canadian Shellfish Sanitation Program, managed by Environment Canada, Department of Fisheries and Oceans, and the Canadian Food Inspection Agency.

Atlantic Aqua Farms mussel farm sites are certified through independent third-party audit certification programs including the Canadian Organic Aquaculture Standards and the Global Aquaculture Alliance Best Aquaculture Practice (BAP) program. These assure consumers they are buying eco-friendly and sustainably-produced shellfish.

During the diligence stage, our investment team considered climate risks, particularly changing ocean temperatures and changing chemistry (acidification). As the physical risks of climate change continue to manifest at unknown speeds, we continue to monitor these issues.

Board Effectiveness

Good corporate governance has always been part of our investment culture at Ontario Teachers'. We believe that the board sets the tone for good governance and that, as an institutional investor, we play a key role in ensuring we get the right people, with the right mix of skills, expertise, and diversity around each board table. They should be supported by robust processes and structures that encourage open and frank discussions, and continuous improvement.

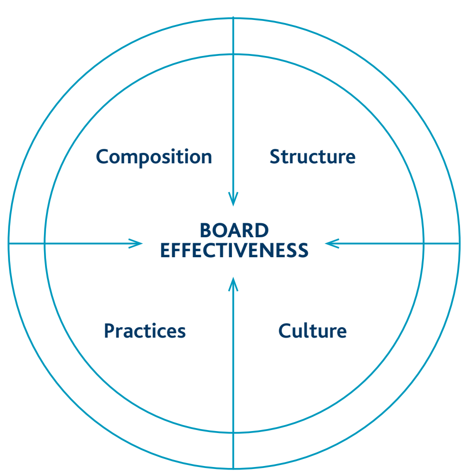
Board effectiveness is revealed by the decisions directors make.

Regardless of sector or company size, a strong board – composed of directors with a diversity of skills, thinking, and backgrounds; who understand the company's business and industry; and who work within a culture that promotes debate and independent thinking – can be expected to make well-informed decisions that are in the best interests of the company and shareholders.

We rely on company boards to oversee management and the affairs of the business. This includes advising on and endorsing the strategic plan, approving annual business plans, monitoring performance, overseeing risks relevant to the business including ESG risks, and ensuring the right talent and succession planning is in place. The role of a director requires experience and willingness to demonstrate courage and independence of thought from management and from other board members.

Governance is a continuous improvement process, and we believe that there are several critical aspects of effective boards: re-evaluating the board skills matrix and board composition to match the evolving needs of the business; annual board evaluations to identify what is working well and areas for improvement; and director continuing education.

Elements of Board Effectiveness



We consider board composition (relevant experience, skills, diversity), structure (size, committees), practices (recruitment, assessment, strategy, risk oversight) and culture (independence, candour, relationships) to be the essential building blocks of an effective board.

35%

of Canadian issuers have a diversity policy relating to women on boards and only 11% have established clear targets. (Source: Ontario Securities Commission)

BOARD DIVERSITY

We support diversity in all forms on corporate boards because different opinions, experiences, and backgrounds enhance board discussions, which lead to better decision making. Currently we are focused on moving the needle on the largest diversity cohort – women – who make up 50% of the population yet remain under-represented on company boards and in senior management.

Ongoing reviews of women on Canadian boards and in the senior management ranks of Canadian public companies show slow progress in both numbers and the quality of gender diversity policies. Director recruitment programs can (and should) simultaneously consider diversity alongside skills and qualifications by selecting directors from a diverse pool of qualified candidates. By looking beyond the typical "relevant CEO experience" selection criteria, director recruitment programs can measurably expand the pool of qualified and diverse candidates by focusing on relevant skills and competencies rather than C-suite titles. It takes time and courage to move away from traditional board construction approaches, but accessing a much broader talent pool results in better board discussions, better decision-making, and ultimately better results.

At the private companies owned by Ontario Teachers', we often have an opportunity to influence the nomination of some directors. For these positions, we have calibrated our selection process to ensure we are attracting, interviewing, and evaluating a diverse slate of candidates without sacrificing quality. With these changes, we expect to meaningfully increase the number of women on the boards of our portfolio companies over the next few years.

In our public company portfolio, we expect boards to develop and communicate an approach to addressing gender diversity in their director recruitment process. Stating that director recruitment is "merit based" is not sufficient, in our view, since all boards should seek the best qualified candidates.

PUBLIC INVESTMENTS

Corporate Governance Principles & Proxy Voting Guidelines

Ontario Teachers' has a comprehensive set of corporate governance principles that guide our proxy voting decisions at public company meetings and encourage companies to take actions that we believe are in shareholders' best economic interest over the long term. Our Corporate Governance Principles & Proxy Voting Guidelines are reviewed annually and updated as needed to clarify an existing voting practice or governance approach, keep current on emerging issues, or introduce a new approach to a governance issue. Any changes to the principles and guidelines are approved by Ontario Teachers' board.

Public Company Engagements

Ontario Teachers' met with 46 publicly traded companies in 2017 to discuss governance topics, including executive compensation, talent management (including executive succession), board composition, changes to the corporate governance framework, and other issues.

We met with Japanese companies Sony, Mitsubishi Heavy, Honda, and Nippon Telegraph and Telephone to discuss the ongoing development of the Japan Corporate Governance and Stewardship Codes. The meetings covered a broad range of corporate governance issues, including governance changes that companies were making, board independence, board evaluation, and compensation.

PRIVATE INVESTMENTS

In 2017, we codified a One Teachers' Portfolio Company Governance Framework that provides a simple, best practices governance guide for our private investment teams. The Governance Framework is focused on the three core pillars of board construction, governance frameworks, and board effectiveness. This ensures a systematic, repeatable approach to good governance in our private holdings.

In addition, we provided custom private company governance training for more than 100 investment professionals at Ontario Teachers'. Our employees who serve as directors on portfolio company boards are responsible for promoting strong corporate governance practices and robust risk management on these boards. This includes ESG risks. An Ontario Teachers' employee board member acts as our designated ESG representative, meaning he or she is responsible for ensuring that reputational and ESG issues are appropriately managed and escalated within Ontario Teachers'.

US$9.3B
Outside of compensation plan awards at North American public companies in 2015 and 2016.

Outside of Compensation Plan Awards

Along with our partner, the Canada Pension Plan Investment Board, we continued to closely monitor public companies' use of outside of plan compensation awards and publish our findings. Outside of plan awards include retention awards, severance payments, and sign-on bonuses, and they have become a significant percentage of the total direct compensation paid to North American executives. This suggests that "extraordinary" awards may, in fact, be turning into a widespread component of executive pay, and raises concerns over the efficacy of compensation plans that are already intended to attract, retain, and provide incentives to executives. Outside of plan awards, by their nature, should be used only in exceptional circumstances.

In 2017, we conducted targeted engagements with more than half a dozen boards that repeatedly granted outside of plan awards without a cogent explanation. We sought to understand the board's rationale, as well as how the structure and amounts were determined. In our meetings, boards provided further details as to the rationale and some have assured us that these awards will remain exceptional in future. We expect to follow up with some of these companies on this topic in 2018 and will report on our progress in this area.

Engagements with Securities Regulators

As responsible investors, we speak out on important issues that affect capital markets, securities regulations and financial reporting, and other corporate regulations that can affect the value of the plan's assets.

Mandatory Say-on-Pay

A group of Canadian pension plans, including Ontario Teachers', engaged with the Ontario Ministry of Finance, the Quebec Autorité des marchés financiers and the Ontario Securities Commission to encourage the Canadian Securities Administrators (CSA) to adopt mandatory say-on-pay regulations.

Proxy Voting System

An investor group including Ontario Teachers' continued to encourage the CSA to address issues with the Canadian proxy voting system. New protocols went into effect for the 2017 proxy season on a voluntary basis. All parties understand that this is a multi-year project.

Paul Schneider, Head of Corporate Governance, Public Equities, appeared as a witness to the House of Commons and Senate committees studying Bill C-25 (amendments to the *Canada Business Corporations Act* or CBCA). The Canadian government is contemplating a number of changes to the CBCA, including changing the voting for directors from a "for/withhold" standard to "for/against". Ontario Teachers' supports this change. As public company shareholders, we provide capital to companies, yet we cannot vote against a director if we lose confidence in his or her ability.

Canadian Guidance for Boards on Environmental and Social Factors

Companies are under growing pressure from investors to demonstrate how relevant environmental and social (E&S) factors are considered in corporate strategy and risk management. Corporate boards play a critical role in the oversight of E&S risks and in laying a strong governance foundation for companies to manage such risks and related opportunities.

In 2016, the Canadian Coalition for Good Governance (CCGG) established an E&S Committee to develop high-level guidelines for directors on board oversight of E&S factors; develop high-level guidelines for companies on disclosure of E&S risks; and further integrate E&S matters into the CCGG's board engagement program.

The committee, chaired by Barbara Zvan, Ontario Teachers' Chief Risk & Strategy Officer, met with directors from companies viewed as having strong practices in managing E&S issues to get their thoughts on effective oversight in their organizations. The committee also spoke with smaller companies that have more limited resources.

Their insights, along with the committee members' experience and extensive research on existing guidance, have been compiled into a CCGG guidebook, which will be released on the CCGG website at www.ccgg.ca in early 2018. It complements the CCGG document "Building High Performance Boards," and will be used to guide CCGG's ongoing corporate engagement program, as well as Ontario Teachers' own engagements.

Voting Our Shares

One of our most important rights as public company investors is the right to vote. Our objective is to vote every share of every company we own for every shareholder meeting.

1,780
meetings in 31 countries

Before voting, we consult a variety of sources, including all relevant company filings and research materials. We may survey our portfolio managers to determine their perspectives on issues. Contentious issues or positions are regularly discussed with senior management in the Investment Division as well as the President and CEO. Where appropriate and necessary, we contact the company to obtain additional information or clarification.

Our total voting activity in 2017 was lower than in 2016, as a strategic reduction in public equities to reduce risk at the total-fund level led to fewer company meeting votes.

Ontario Teachers' Corporate Governance Principles and Proxy Voting Guidelines

Third-party data sources

Corporate governance staff experience and knowledge

VOTING

Engagement candidate identification

Identification of emerging global trends

Monitor and influence the governance of portfolio companies

BREAKDOWN OF 2017 PROXY VOTES BY REGION

Canada and U.S.	35%
Europe	29%
Asia	23%
Oceania	10%
Rest of world	3%

2017 VOTES ON ESG ISSUES

Shareholder proposals on ESG issues are becoming more numerous and touch on a wide variety of complex issues. Our votes are based on case-by-case analysis of how well a company is managing ESG issues and whether a shareholder proposal is redundant. We review the company's disclosures and consult assessments conducted by independent third parties. We may vote against shareholder proposals when we believe a company is already taking action on the issue raised, or already has a sufficient policy in place.

Environmental Issues

36 in favour	46 against

We will support shareholder proposals that request sustainability and climate risk reports and action on climate change and greenhouse gas emissions when our analysis reveals that current disclosures could be improved. We believe that enhanced disclosure in these areas will benefit shareholders and allow them to better assess the associated risks. We voted against proposals regarding the phase-out of nuclear power or decommissioning of power plants, as we believe that company boards and management teams are best placed to make decisions on such matters. We also voted against some environmental proposals when we believed the company was already taking action on the issue or, in our view, already had a sufficient policy in place.

Social Issues

40 in favour	134 against

Social issues, which include a company's lobbying efforts, political spending activity, approach to human rights, and treatment of employees, can present material risks to the company if left unmonitored. We carefully assess shareholder proposals, which can be complex, as well as the company's current policies and procedures. We will support proposals where we determine a company could do more, and will not support those where we determine a company has adequate policies and procedures in place. In general, we voted for shareholder proposals that requested greater disclosure or reviews of lobbying and political spending. We voted against a variety of proposals on nuclear issues, and requests for reports on various issues (employee diversity, indigenous peoples' rights risk) where, in our view, the companies' existing policies were sufficient.

Governance Issues

97 in favour	257 against

In general, we voted for shareholder proposals to separate the role of board Chair and CEO, the right to call a special meeting in certain circumstances, and to establish proxy access (a process that allows qualified shareholders to put forward director candidates). Since we review proposals on a case-by-case basis, we also voted against proposals to modify the terms of a proxy access policy where a company had already adopted proxy access using commonly accepted terms.

OTPP.COM

For transparency, Ontario Teachers' publishes voting decisions before each shareholder meeting at https://www.otpp.com/investments/responsible-investing/governance-and-voting/proxy-votes.

These are just a few examples of 2017 votes on ESG matters.

ALIMENTATION COUCHE-TARD

Issue	Shareholder proposal requesting a more explicit gender diversity policy.
Evaluation	The board has a solid track record on gender diversity but company's policy did not specifically mention gender diversity.
Vote	Supported the shareholder proposal.
Outcome	Engaged with the company. While we acknowledge its track record, we encouraged more explicit disclosure of its approach to gender diversity.

TORONTO-DOMINION BANK

Issue	Shareholder proposals requested Toronto-Dominion Bank and Royal Bank of Canada to adopt proxy access bylaws. Proxy access allows qualified shareholders to put forward director candidates. Banks rejected proposal because the minimum ownership threshold to file a proxy access proposal (3%) contravened the 5% threshold for shareholder proposals in the federal *Bank Act*.
Evaluation	The shareholder proposal was consistent with our Corporate Governance Principles & Proxy Voting Guidelines.
Vote	Supported the shareholder proposal.
Outcome	The banks asked the Canadian government to amend the Bank Act to allow a 3% threshold.

OCCIDENTAL PETROLEUM

Issue	Shareholder proposal asked company to provide annual assessment of long-term portfolio impacts of climate change.
Evaluation	Climate change is a material risk to the company and shareholders would benefit from more disclosure.
Vote	Supported the shareholder proposal.
Outcome	The company indicated it will disclose more on its assessment and management of climate change risk.

BOMBARDIER

Issue	Election of the executive chair.
Evaluation	Ontario Teachers' does not support the position of executive chair. We believe shareholders are better served if the leader of the board is independent. We also question executive chair compensation levels that are typically at the level of a full-time CEO or other executive role.
Vote	Voted against election of the executive chair.
Outcome	The executive chair agreed to become non-executive chair.

CITRIX SYSTEMS, INC.

Issue	Non-justified use of discretionary compensation (outside of plan awards).
Evaluation	Discretionary compensation paid without, in our view, convincing rationale to support the awards.
Vote	Voted against the Advisory Vote on Compensation.
Outcome	Met with the company to discuss issue.

2018 Priorities

Throughout our history, Ontario Teachers' has recognized the value in good corporate governance practices and investing responsibly.

We see leadership in these areas as an important and ongoing journey that we are taking together with our colleagues, peers, and partners. It is essential to managing our enterprise risk, making a meaningful positive influence through our investment activities, and building a sustainable future for our members.

We continue to make considerable progress in the areas we believe are vital. These include integrating ESG into our decision-making, and being an engaged and collaborative asset owner. There is also work to do, including evolving our voting principles. We are also supporting development of strong governance practices in Asia, where we hold a sizable amount of assets.

For the next three years, in line with our organizational strategy, our priorities are navigating the low-carbon economy, promoting leading ESG practices, and continuing to engage with the companies we own to help effect positive change.

NAVIGATING THE LOW-CARBON ECONOMY TRANSITION

We aim to build a competitive advantage by managing investments through the transition to a low-carbon economy.

We will continue to develop tailored approaches for incorporating Ontario Teachers' transition scenarios and directional signals in investment decision-making processes across all our investment departments. We will also explore how our scenarios and signposts translate into climate change risk at the total-fund level. Assessing the carbon footprint of our public equity holdings was the first step, and we are developing approaches to broaden this to our other asset classes, such as private assets and credit. At the same time we will begin to incorporate other relevant risk measures and stress testing to better assess the fund's positioning for the low-carbon economy transition.

Externally, we will promote robust management of climate change risks and adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in our engagements with public companies. We plan to develop an advocacy program to foster an orderly transition to a low-carbon economy through influential industry groups and policymakers.

PROMOTE LEADING ESG MANAGEMENT

We recognize that some of the companies we invest in may not have leading practices in ESG management on the day we meet them. Our goal is to learn and share with those that do, and to partner with others to make positive changes.

We continue to evolve the sophistication of our ESG management through an ESG Best-In-Class framework. This involves a set of progressive expectations for the management of ESG factors at our portfolio companies, and the creation of a longer-term road map. This work started a number of years ago with the development of *Our Approach to Sustainability Disclosures* guidance for oil and gas companies, which can be found at www.otpp.com/investments/responsible-investing/perspectives.

The proposed expectations are progressive in that they incorporate a range of performance levels, rather than best practices, or a presumed end goal. The index will provide a guide to portfolio managers to evaluate the quality of ESG disclosure and management practices and an input into defining priority or target areas for corporate engagement in public assets and value creation in private assets.

INFLUENCE CHANGE THROUGH CORPORATE AND INDUSTRY ENGAGEMENT

We continue to influence meaningful change in the companies we own with respect to their ESG practices to create or protect value.

We will initiate focused, long-term engagements led by senior management representatives.

We will continue to show leadership through engagement and active collaboration in key industry associations. This type of forum gives us an opportunity to not only work with like-minded peers in the promotion of education and best practices generally, which includes responsible investment, but also to identify select engagements where there is a critical mass of opportunity and influence that can converge.

Our public company engagement themes for 2018 include:

- Proactive management of ESG factors, including climate change
- Board adoption of CCGG recommendations on Directors oversight of E&S issues
- Assessment of director tenure as part of a board's approach to continuous renewal and assessment
- Discourage use of ongoing and unjustified use of outside of plan awards

Key to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Ontario Teachers' has begun to implement the TCFD Recommendations. The key below has been provided to guide readers to where they can find our disclosures under the Recommendations.

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS
Describe the board's oversight of climate-related risks and opportunities. **Inside back cover**	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. **Pages: 2-3; 5; 15-20**	Describe the organization's processes for identifying and assessing climate-related risks. **Pages: 5-7; 9; 13; 15-17; 29**	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. **Pages: 17-18**
Describe management's role in assessing and managing climate-related risks and opportunities. **RI Report – pages: 16; 23; inside back cover** **Annual Report – pages: 6; 21**	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. **Pages: 2-3; 5; 15-20; 29**	Describe the organization's processes for managing climate-related risks. **Pages: 5-7; 15-17; 29**	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. **Page: 18**
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. **RI Report – page: 15** **Annual Report – pages: 12; 20**	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

RESPONSIBLE INVESTING GOVERNANCE FRAMEWORK

Accountability for responsible investing is overseen by Ontario Teachers' board members, who set the overall tone for risk consciousness and approve investment policies and risk appetite. There are clear responsibilities for responsible investing throughout the organization. Accountability for managing investment-specific risks, including ESG risks, rests with those best suited to managing them: individual portfolio managers.

Board

- Sets the Enterprise Risk Appetite
- Oversees responsible investing practices and ERM
- Approves ESG-related guidelines and policies
- Reviews RI Annual Report
- Receives reports on responsible investing activities and progress at least annually

The board-approved Statement of Investment Policies and Procedures outlines a high-level approach to the consideration of ESG factors in the investment process.

Chief Executive Officer, Chief Investment Officer, Chief Strategy & Risk Officer

- Reports to board on material ESG issues
- Approves responsible investing policies and guidelines
- Oversees management's integration of ESG in investment process

The responsible investing policies and / or guidelines outline ESG integration frameworks and processes.

Senior Investment Management

- Oversees ESG integration
- Reports material ESG issues to C-suite
- Engages with companies

Portfolio policies identify key ESG risks specific to various investment portfolios.

Portfolio Managers

- Identify and manage ESG risks and opportunities
- Integrate ESG factors in investment decisions

Responsible Investing Team

- Develops integration and engagement frameworks
- Advises investment professionals on key/ emerging ESG risks

Corporate Governance Team

- Engages with public companies on governance issues
- Analyzes voting issues and conducts proxy voting

Responsible Investing Forum | **Corporate Governance Forum** | **Climate Change Working Group** | **Portfolio Company Governance Working Group**

Ontario Teachers convenes cross-functional and cross departmental working groups to further ESG initiatives and reinforce culture across the plan.

Strategic Design: Ove Brand | Design *A Publicis Worldwide Company* www.ovedesign.com Illustration: Kevin Moran Photography: Gerald Allain

ONTARIO TEACHERS' PENSION PLAN

Responsible investing issues are evolving and ESG standards around the world are being refined. Ontario Teachers' is committed to learning and applying knowledge in new ways. We welcome your comments and suggestions on our responsible investing activities and this report.

We can be reached at
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