Investing to make a mark

ONTARIO TEACHERS' PENSION PLAN

2023 Annual Report

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About Ontario Teachers'

We deliver retirement security to

340,000

working members and pensioners.

We have

$247.5B[1]

in net assets.

We invest in

50+ countries

through our global offices around the world.

We are a global, independent organization

Sponsors' role

Ontario Teachers' Federation (OTF) and the Ontario government are the plan's joint sponsors. Together, OTF and the Ontario government ensure the plan remains appropriately funded, and decide:

- the contribution rate;
- member benefits, including inflation protection levels; and
- how to address any funding shortfall or surplus.

Board's role

Our board members are appointed by OTF and the Ontario government, and they oversee the management of the pension fund and administration of the pension plan. Board members are required to:

- act independently of both the plan sponsors and management; and
- make decisions in the best interests of all plan beneficiaries.

Management's role

Management sets long-term investment and service strategies with three main responsibilities:

- investing assets in a manner to ensure the plan can pay present and future pensions;
- administering the plan and paying pension benefits to members and their survivors; and
- operating the business in line with the long-term enterprise strategies.

1 All figures as at December 31, 2023, and expressed in Canadian dollars unless otherwise noted.

Purpose

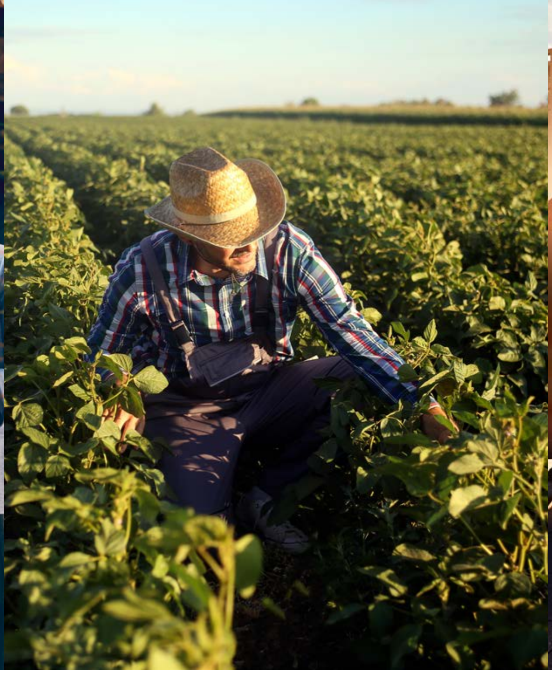
Invest to shape a better future

Mission

Deliver outstanding service and retirement security for our members

Vision

Be a trailblazer:
Bold. Ambitious. Global.


THREE CORE STRATEGIES GUIDE OUR EFFORTS

Growth

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

Impact

We believe we have an opportunity to create a lasting, positive impact.

Culture

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

OUR SHARED VALUES

Performance-driven

Inclusive

Curious

Agile

Courageous

2023 year in review

Delivering global GROWTH and long-term performance

$247.5B

in net assets

Remained

fully funded

for the 11th year in a row

1.9%

One-year total-fund net return

$5.5B

in investment income

7.6%

10-year total-fund net return

93%

members satisfied with the service they receive

($15.8B)

negative value add[1]

1 Value-add is the amount of return in excess of (below) benchmarks after deducting management fees, transaction costs and administrative costs allocated to the active programs (includes annual incentives but does not include long-term incentives).

Making a real-world IMPACT

Decreased portfolio carbon emissions intensity by

39%

since 2019 (toward 2025 interim target of 45%)

1.2%

annual improvement on representation of underrepresented groups[1]

$700K+

raised by employees for global causes[2]

Over

$34B

in green assets towards target of $50 billion

45%

of workforce identify as women

450+

employees contributed time via global Make a Mark Day volunteerism program

Building a CULTURE of experimentation, entrepreneurship, empowerment

8.2/10[3]

Culture Index

96%

retention of new hires

1 Including women, 2SLGBTQ+ identified individuals, Persons with Disabilities, and people who identify as Black, Indigenous and People of Colour.

2 The giving campaign is employee-led and does not include corporate funds.

3 Culture Index measures through employee feedback how we are delivering on our desired culture in three components: Engagement, Culture, Values.

A solar energy farm operated by NextEra Energy in California, United States

Employees at the San Francisco office's Make a Mark Day

> I am pleased to report that the plan remains fully funded for the 11th consecutive year with a robust preliminary surplus.

Message from our Chair

I am honoured to chair the board of the Ontario Teachers' Pension Plan and serve the hardworking and dedicated teachers of Ontario, whether they are currently teaching or retired. As the stewards of the plan, we are committed to our members and to delivering on the promise of providing a pension, even during times of uncertainty and change.

Last year was challenging for global investors. There were global conflicts, increasing geopolitical tensions, higher interest rates, economic disruption, supply chain issues and persistent inflation. Despite these various obstacles, our portfolio showed resilience, securing a 1.9% total-fund net return and ending the year with $247.5 billion in net assets.

I am pleased to report that the plan remains fully funded for the 11th consecutive year with a robust preliminary surplus to ensure stability in contributions and benefits for members.

A strategy designed for the long term

Our goal is to provide excellent service and ensure retirement security for our members. To achieve this, we constantly adapt to changing market conditions while keeping a long-term perspective. We also focus on partnering with businesses and management to create value and ensure success across our global portfolio.

Diversifying our portfolio across different asset classes, geographies and industries helps us manage risk and lower volatility. A significant part of our portfolio is invested in private companies and infrastructure, which have generated strong and steady returns over time. We believe this diversified approach with an emphasis on private assets supports more consistent returns that will fund teachers' pensions well into the future.

We currently pay out more in pensions than we receive in contributions, but our aim is to steadily build our net assets towards the goal of $300 billion by 2030 to best position us to remain fully funded.

We strive to live up to our members' high expectations of service. The plan has made prudent investments in people and technology to ensure we can provide our members convenient, seamless and personalized service, and this increasingly means through digital channels. Our primary performance measure shows that our members remain overwhelmingly satisfied with the service they receive from the plan.

The board has been actively engaged in and supportive of the organization's efforts to ensure the plan appropriately manages risks and seizes opportunities related to climate change and the transition to a low-carbon future. We are pleased to see the plan continuing to progress towards its ambitious interim targets and instituting the right structures to meet the long-term goal of being net zero by 2050.

An engaged and active board

A strong, professional and independent board was a foundational principle when the plan was founded in 1990 and continues to reflect oversight of the plan today. For more than 30 years, the board has been active and engaged, guided by forward-looking governance practices. Our main goal is to guide and collaborate with management on the organization's strategy and operations while challenging, questioning and ensuring accountability. To fulfill this duty, the board must have a solid grasp and understanding of the markets in which the fund operates around the world.

To this end, the board held its first meeting outside of Toronto in London, U.K., our second largest global office. In addition to the regular agenda, the board dedicated time to delve deeper into our regional investments and interests. This included engaging with political leaders and investment partners and directly interacting with our London-based investment teams.

Reflective of the turbulence and pace of change, the board spent considerable time and energy this past year outside the boardroom, thinking about future global trends and alignments, artificial intelligence, and how to prepare the plan for shocks and uncertainty.

Board renewal

On behalf of the board, I would like to express my gratitude towards our sponsors – the Province of Ontario and Ontario Teachers' Federation – for their commitment to renewal and board member independence.

In the past year, we have welcomed two new board members – Tom Wellner and Martine Irman. Both are seasoned executives with several decades of experience leading large organizations. Their expertise elevates the board's capabilities and reinforces our commitment to excellence and long-term success.

Kathleen O'Neill and Lise Fournel retired from the board in 2023 after years of exceptional and loyal service to the plan. On behalf of the entire board, I would like to thank them for their wise counsel and numerous contributions to the plan's success.

In conclusion

In closing, I want to acknowledge my fellow board members, the executive team led by Jo Taylor, and all Ontario Teachers' employees for their work and dedication in ensuring the continued success of the plan. The board is confident that we have the right team, strategy and structures to navigate choppy and uncharted waters successfully.

Steve McGirr
Chair

> *As we look to 2024 and beyond, we plan to remain disciplined while delivering our real return target of 4%.*

Message from our CEO

It has been a privilege serving as Ontario Teachers' Pension Plan's President and CEO for the last four years. It has also become a common theme in my annual report letters to comment on the turbulent and challenging markets in which we operate. This past year was no different.

While the global pandemic has thankfully abated, bringing a degree of stability back to our lives, many other challenges remain. High interest rates, persistent inflation, geopolitical tension and an uncertain economic outlook were evident in 2023, impacting most global investors.

Our performance

With that in mind, how did we do?

We delivered investment income of $5.5 billion, representing a positive net return of 1.9%. While this is sufficient to cover our net pension outflows, this is not the return that we aspire to make for our members.

Last year we held a more negative economic outlook than what ultimately transpired. As a result, our portfolio was more conservatively positioned and we did not benefit as much as we could have from strong stock markets, particularly in the U.S.

We significantly underperformed our benchmarks in 2023 due primarily to a lower allocation to those public companies that performed extremely well throughout the year, most notably the "magnificent seven" technology stocks. We also made several valuation adjustments in our infrastructure and real estate portfolios to reflect several asset-specific events and a higher interest rate environment.

We are not satisfied with our performance in 2023 and aim for better. That said, many of our asset classes benchmark themselves against global stock indices that have been challenging to match. Private assets, which have been our best performing investments for many years, tend to provide less volatile returns. This was the case in 2023. We remain fully funded with a healthy preliminary surplus of $19.1 billion. In simple terms, our assets cover our future liabilities, positioning us well to deliver future retirement security for our members.

On the administration side, our team continues to provide excellent support to our 340,000 members, with more than 90% satisfied with the service provided.

Appointments of new leaders

Since last year's annual report, there have been a number of changes to our senior team. Our Chief Investment Officer, Ziad Hindo, left the organization after more than 20 years. We thank Ziad for his many contributions.

I took time to reflect on the CIO role, given its demands and complexity. Earlier this year, I announced a change in our leadership model in Investments, appointing Gillian Brown and Stephen McLennan as our new CIOs. This approach will share responsibility between two accomplished and long-serving investors and enable us to sharpen our capital allocation focus moving forward.

We established a Chief Strategy Officer role and appointed Jonathan Hausman, with a mandate to lead an enterprise-wide approach to advance our strategic objectives. Nick Jansa, who leads investment activities in Europe, Middle East and Africa, has joined our Executive Team on a permanent basis to ensure that international perspectives are formally embedded in all our discussions at the most senior level.

We elevated Bruce Crane to head our activities in Asia-Pacific, taking over from Ben Chan who had served the region admirably for five years. Asia-Pacific is an important investment area for the fund, and Bruce will look to optimize our returns from our teams in Singapore, Hong Kong and Mumbai. These internal appointments show the strength that we have at Ontario Teachers' in our senior team and reinforce a strong commitment to developing our people.

We also announced a revised approach for real estate investing (see page 77) and appointed Pierre Cherki to head up our new in-house real estate team. Our returns in real estate have not been good enough in recent years. We believe taking a more active role in our investment activities there, as we do in other asset groups, will allow us to strengthen and diversify this portfolio.

A positive impact

Another area of focus is to make a positive impact through our activities. We believe this is aligned to creating value and helps to drive incremental returns. We made significant progress during the year in further embedding this focus in how we invest, how we operate and how we give back.

We continued to decarbonize our portfolio and progressed a framework to assess, and selectively make, investments that will add to our return targets while making a positive environmental and social impact. Outside of investing, we also further advanced initiatives focused on diversity, equity and inclusion as well as employee well-being. This included the incorporation of these themes into our new office in downtown Toronto (which we are scheduled to move into in Q2 2024), where sustainability, flexibility, inclusivity and well-being were all essential elements of the building design.

Finally, 2023 saw us make significant advancements in the opportunities provided to employees to give their time and donations to the causes that matter to them around the world.

Looking ahead

As we look to 2024 and beyond, we plan to remain disciplined in the choices that we make. Our primary focus will be to deliver our long-term target of a 4% real return. That said, we will not take undue risks in the pursuit of better returns.

We will continue to look for attractive opportunities to invest in areas including technology, credit, life sciences and energy transition. Given M&A activity in private asset markets has slowed significantly, we will increase our focus on creating value within our existing portfolio and provide them capital to grow and build advantage in their markets.

While we expect that we will continue to face a dynamic market environment in the near term, I am confident that we are taking the right approach to proactively assess opportunities that will deliver value to the Plan, our employees and our members.

Jo Taylor
President and CEO

Our global leadership team

Meet our Executive Team, a group of seasoned professionals bringing diverse expertise to the organization. Responsible for setting long-term investment and service strategies, the team ensures that the plan meets present and future pension obligations, administers benefits, and operates the business in alignment with our overarching enterprise strategies.

Jo Taylor
President and CEO

Tracy Abel
Chief Operations Officer

Gillian Brown
Chief Investment Officer, Public & Private Investments

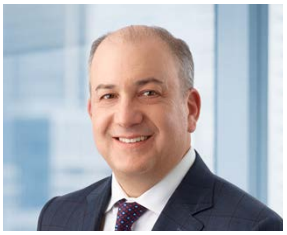
Charley Butler
Chief Pension Officer

Sharon Chilcott
Chief of Staff, Office of CEO and Corporate Secretary

Jeff Davis
Chief Legal & Corporate Affairs Officer

Tim Deacon
Chief Financial Officer

Kathryn Fric
Chief Risk Officer



Jonathan Hausman
Chief Strategy Officer

Nick Jansa
Executive Managing Director, Europe, Middle East and Africa

Stephen McLennan
Chief Investment Officer, Asset Allocation

Beth Tyndall
Chief People Officer

SSEN Transmission, an electricity transmission network operator based in the U.K.

Our strategy

Plan funding

A look at the financial health of the plan

This section provides information on recent funding valuations, assumptions, and related demographic and economic considerations that play a role in plan funding discussions and decisions. A funding valuation is an assessment of the financial health of a pension plan as at a defined date. It determines whether the plan's projected assets are sufficient to pay all promised pensions in the future.

Funding highlights

$19.1 billion

Preliminary surplus

107%

Funding ratio

Pension funding sources since 1990

79.3% Net investment income

10.8%[1] Government/designated employer contributions

9.9% Member contributions

1 The additional 0.9% includes original plan deficit funding and contributions related to conditional inflation protection.

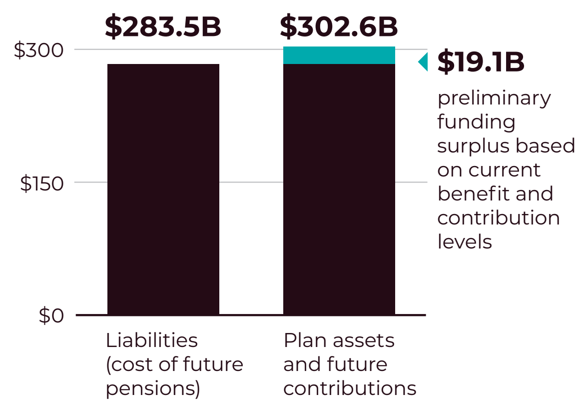
Funding status as at January 1, 2024

As at January 1, 2024, the plan had a preliminary surplus of $19.1 billion. A preliminary funding valuation means that the valuation has not been finalized or filed with the regulators. A finalized valuation as at January 1, 2024, is not required to be filed; however, the sponsors may choose to do so, in which case the report would be filed prior to the end of September 2024.

The plan sponsors are required to file a valuation with the regulators every three years. Since the sponsors filed the January 1, 2023 valuation, the next required funding valuation is at January 1, 2026.

Details are provided in the Funding Valuation Summary table on the next page.

FUNDING VALUATION
As at January 1, 2024



January 1, 2023, filed valuation

In 2023, Ontario Teachers' Federation and the Ontario government decided to file the January 1, 2023 funding valuation with the regulators. The $17.5 billion surplus was classified as a contingency reserve to help facilitate stability in members' contributions and benefits in case a future valuation shows a decline in assets and/or an increase in pension costs. Classifying the surplus as a contingency reserve can be thought of as a way of "saving for a rainy day."

FUNDING VALUATION SUMMARY
As at January 1 ($ billions)

	2024 (prelim.)	2023 (filed)
Net assets available for benefits	$247.5	$247.2
Smoothing adjustment[1]	4.7	(3.8)
Value of assets	**$252.2**	**$243.4**
Future basic contributions	50.4	48.6
Total assets	**$302.6**	**$292.0**
Liabilities (cost of future pensions)	(283.5)	(274.5)
Surplus/contingency reserve[2]	**$19.1**	**$17.5**
Assumptions (percent)		
Long-term inflation rate	2.00	2.00
Real discount rate[3]	2.55	2.45
Nominal discount rate	4.60	4.50

1 The plan's funding valuations smooth asset gains and losses over a three-year period, with one-third of gains and losses being recognized immediately and the remaining two-thirds being recognized in equal installments over the following two years.

2 If the sponsors choose to file the valuation as at January 1, 2024, they will decide how to allocate the surplus, including whether or not to classify the surplus as a contingency reserve. The January 1, 2023 surplus was classified as a contingency reserve.

3 Real rate shown as the geometric difference between the discount rate and the inflation rate.

Discount rate

A funding valuation uses several actuarial assumptions to project the value of future pension plan liabilities and contributions. Using professional judgment, assumptions are made about anticipated future inflation rates, salary increases, retirement ages, life expectancy and other variables.

One of the most important assumptions is the discount rate, which plays a key role in assessing whether the pension plan has sufficient assets to meet its future pension obligations. The discount rate is used to calculate the present value of future pension benefits that the plan expects to pay to members as well as contributions it anticipates receiving. Plan liabilities are sensitive to changes in the discount rate, with a lower rate resulting in increased liabilities, and a higher rate resulting in decreased liabilities. The discount rate is a long-term assumption and is derived from the expected rate of return on investments. It takes into consideration interest rate trends, as well as provisions for plan maturity, risk tolerance and major adverse events.

We continue to live in an uncertain and unpredictable investment and geopolitical environment with continued higher interest rate levels. Taking into consideration these interest rate trends, the board decided to increase the real discount rate by 0.10% to 2.55% for the January 1, 2024 preliminary valuation. The increase is modest relative to the observed increases in interest rates and, as such, the real discount rate continues to reflect healthy provisions to navigate headwinds posed by the plan's maturity, global economic challenges and an uncertain long-term outlook. The change in the real discount rate increased the preliminary surplus by $5.3 billion.

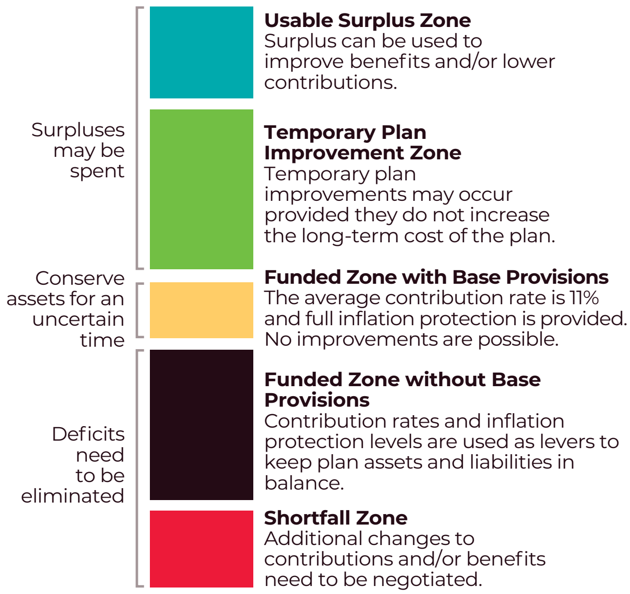
With respect to inflation, the board chose to hold the long-term inflation rate steady at 2.00%, consistent with the rate used for the January 1, 2023 and January 1, 2022 valuations. However, given that short-term inflation continues to be higher than longer-term expectations, the board chose to reflect an estimated 2.6% adjustment to pensions in pay effective January 1, 2025. For the January 1, 2023 valuation, the board reflected an estimated 4.3% adjustment to pensions in pay effective January 1, 2024 while the actual adjustment was 4.8%. As a result of the higher estimated adjustment to pensions in pay at January 1, 2025, and a higher actual adjustment to pensions in pay at January 1, 2024 than initially estimated, the increase in liabilities in this preliminary funding valuation was approximately $1.0 billion.

Funding Management Policy (FMP)

The FMP is an important document that provides the sponsors with a guidance framework for decision making when there is a funding surplus or shortfall. A key component in the FMP is the concept of funding zones, each defined by a range. The funding zones provide a point of reference for whether action is required by the sponsors and, if so, guidance is provided on how to use any surplus funds or resolve any shortfall. Specifically, it is used to determine when it is possible or necessary to increase or decrease benefits, lower or raise contributions, or simply conserve assets for an uncertain time. The FMP outlines preferred mechanisms associated with its various funding zones, and it is ultimately the sponsors' responsibility to decide what actions to take.

The FMP has important implications from an investment perspective, adding clarity to our strategic asset allocation decisions with a key focus on the plan's ability to absorb risk. In the absence of the FMP, this level of clarity would be challenging to achieve.

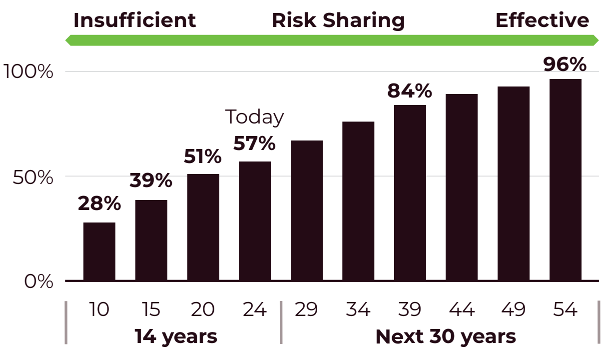
FUNDING MANAGEMENT POLICY ZONES



time, as the proportion of service that members have earned after 2009 continues to grow, the risk of significant investment losses or a funding shortfall is distributed more broadly among the membership – that is, the risk is shared by more members.

The graph below illustrates the increasing impact of CIP risk sharing over time. Over the next 15 years, the percentage of the plan's total liability subject to CIP will increase from 57% to 84%.

PERCENTAGE OF TOTAL LIABILITY SUBJECT TO CIP ON POST-2009 SERVICE



Intergenerational equity

The design and implementation of an innovative funding risk mitigant, conditional inflation protection (CIP), adds flexibility to the plan and promotes intergenerational equity. It recognizes and virtually neutralizes the impact of the changing ratio of active to retired plan members on the plan's funded status.

The plan sponsors prudently and proactively introduced CIP in 2008, recognizing that if significant investment losses or a funding shortfall occurred, an increase in contribution rates alone was unlikely sufficient, and increases would be borne solely by active plan members.

CIP allows flexibility in the amount of inflation increase provided to pensioners for benefits earned after 2009. The increased level is a sponsor decision conditional based on the plan's funded status. Pension credit that members earned before 2010 remains fully indexed to inflation. Please view NOTE 4b to the consolidated financial statements for more details on how CIP works.

While promoting intergenerational equity, CIP is also an effective lever for mitigating funding risks. Over

Stress resistant

As CIP applies to more pension beneficiaries, it will be able to absorb a greater loss, making it a more effective risk management tool.

	1990	2023	2033
Hypothetical plan deficit	$2B	$23B	$33B
Increase in contributions required to eliminate the hypothetical plan deficit	1.9%	5.6%	5.8%
Decrease in level of CIP required to eliminate the hypothetical plan deficit	n/a	27%	19%
Asset loss capable of being absorbed by fully invoked CIP	n/a	$57B	$116B

For example, a deficit of $33 billion in 2033 could be absorbed by lowering inflation protection increases for benefits earned after 2009 from 100% to 81%. As another example, in the most extreme case, if CIP levels were lowered to 50% on benefits earned during 2010–2013 and 0% on benefits earned after 2013, this funding lever would be sufficient to absorb a 2033 asset loss of $116 billion.

Effective risk management

Risk is exposure to events that could impede Ontario Teachers' from achieving its mission to provide lifetime pension benefits to its members. To deliver on that mission, we must successfully manage risks and be adequately rewarded for taking them.

Risk management is an important capability at Ontario Teachers' and plays a key role in all our activities. With the executive team's support, the board helps establish and monitor a strong risk culture. It sets the enterprise risk appetite appropriate for achieving our strategic objectives. The board delegates accountability for risk management to the President and CEO for all risks beyond those specifically reserved for the board. Responsibility is further delegated throughout the organization by the CEO. Risk management is a responsibility shared by our board and all our employees.

2023 risk management highlights

Continuously enhancing our risk management practices is a key focus for Ontario Teachers'. In 2023, our key initiatives included:

- Establishing an Enterprise Risk Committee of the board.
- Enhancing our market and credit risk measurements by expanding the range of historical periods included.
- Evolving the Enterprise Risk Management framework, including updating our risk taxonomy and related risk assessment processes and definitions.
- In line with the growing mandate, enhancing the governance and risk management practices for private credit.
- Increasing our focus on global emerging risks and their interconnections to other factors.

Governance and enterprise risk management

Our board actively oversees our governance processes and ensures management makes decisions in the best interests of our members. They are responsible for overall Enterprise Risk Management (ERM) oversight and ensuring an appropriate ERM program is in place. The board also sets the overall risk appetite for the organization and monitors performance against it.

The board's Enterprise Risk Committee assists the board in fulfilling its governance responsibilities, including oversight over the ERM program and our overall profile of material risks that may adversely impact Ontario Teachers'. The Enterprise Risk Committee also provides board oversight of the independent Risk Division.

Management's Enterprise Risk & Governance Committee is responsible for interpreting the risk appetite and overseeing risks that may have a material impact on Ontario Teachers' strategy, performance and/or reputation.

Additional management governance committees exist to provide focused management of specific risks within their respective mandates. Please see NOTE 2e in the consolidated financial statements for details.

Three lines of defence

Ontario Teachers' utilizes a "three lines of defence" approach that enables our strong risk culture. Collectively, the three lines of defence, working together, enhance the understanding of risk exposures and the response necessary to manage risks within the stated risk appetite.

The first line of defence, which includes divisions that manage operational and investing activities, is responsible for identifying, managing, monitoring and reporting risks in accordance with regulatory expectations, the organization's policies and the enterprise risk appetite.

The second line of defence, which includes the Risk Division and other control functions, provides independent oversight over risk exposures and reports on matters that warrant management and/or board attention.

The third line of defence is internal audit, which provides independent assurance to the board, management and other stakeholders on the risk controls in place and the effectiveness of the first and second lines of defense.

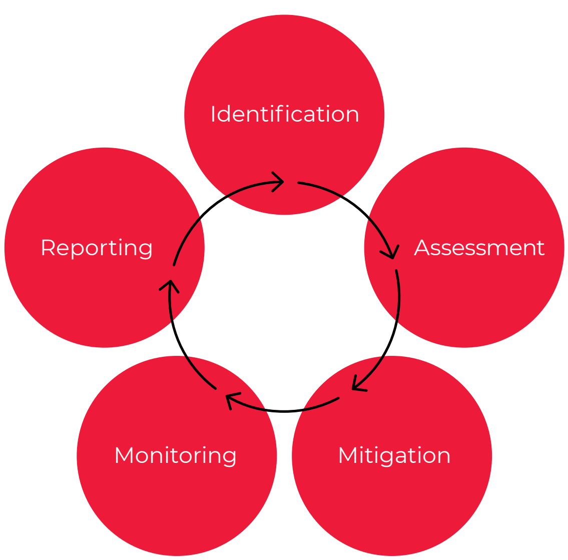
Ontario Teachers' ERM

Through ERM, management understands important enterprise risks and how they are being managed against the established board risk appetite. Given the value and forward-looking, longer-term insight it provides, ERM has been further integrated into management's strategic and operational planning decisions.

Our ERM program provides management the appropriate tools to:

- Establish a consistent framework to better understand and assess the broad range of enterprise risks we face, while also considering opportunities.
- Manage rapid changes to our business environment, including identifying emerging and interconnected risks.
- Create a competitive advantage through a strong and agile risk-conscious culture to ensure value is created over a longer time horizon.

Ontario Teachers' ERM approach comprises five components:



Identification

We identify risks by understanding existing ones, recognizing potential risks from new initiatives and spotting emerging risks in the external environment.

Assessment

We assess risks against our risk appetite by considering changes in the internal and external environment, key risk indicators and input from management. Risks are evaluated on an ongoing basis, factoring in existing mitigation actions and their potential impacts on the organization. A risk rating methodology is maintained to ensure consistency in assessments.

Mitigation

Risk mitigation actions are identified that balance the expected cost of implementation against the expected benefits, as we recognize that mitigation may not be an optimal choice in certain circumstances. Mitigation actions include the acceptance, avoidance, reduction or transfer of risk as deemed appropriate.

Monitoring

Risks are monitored for changes in the internal and external environment, changes in exposures and trends. Key risk indicators (KRIs) are tools to measure and monitor changes in risk over time. For KRIs above tolerance, root causes are identified to understand the potential reasons for the risk increase and the appropriate mitigation strategies.

Reporting

The Risk Division regularly provides management and the board's Enterprise Risk Committee with an enterprise risk profile report.

Investment risk management

Ontario Teachers' risk management framework for investments has two purposes. It is designed to provide independent oversight and measurement of investment risks and to provide support and advice to the different investment teams.

Proactive risk management underpins our investment strategies, including our asset-mix selection and active management of our portfolio to add value, diversification and balance, as well as our approach to liquidity management, including our investment funding strategy.

The Investment Committee of the board reviews and approves the investment risk budget annually, monitors overall investment risk exposure, and reviews and approves risk management policies that affect the total portfolio and new investments that result in significant risk exposure.

For a discussion of our key investment risks and how they are managed, see NOTE 2e–h in the consolidated financial statements.

Non-investment risk management

Along with investment risks, Ontario Teachers' is also exposed to non-investment risks from our strategy and operations. Examples include cybersecurity, technology, vendor and procurement, business continuity, talent, legal and regulatory, fraud and other critical processes.

While non-investment risks generally present less substantive financial impacts relative to investment risks, Ontario Teachers' considers the management of these risks important to the success of the organization and to minimize any adverse impacts. Impact considerations (for example, operational disruptions, data protection/privacy, reputation, avoidable errors, talent impacts and safety) are an important aspect of effective risk management for non-investment risks.

Management of non-investment risks emerging from operating activities is the responsibility of the functions undertaking these activities. Enterprise risk management, along with other control functions, is designed to provide independent assessments of material non-investment risk exposures to management and the board.

Approach to investing

Our investment strategy considers our risk profile, our plan assets and our liabilities. Our long investment time horizon supports our primary goal of generating the investment returns required to fund our members' current and future pensions. We combine our expertise in bottom-up asset selection with a top-down approach to risk and portfolio construction.

Our competitive advantages

We are **agile, innovative investors** who bring deep in-house expertise and flexible, responsive teams to make fast, transparent decisions that deliver stable returns.

We have **extensive knowledge, deep and specialized expertise and networks** in our core sector, sub-sector and geographic focus areas.

We take a **total-fund approach** that harnesses the breadth and depth of our insights and networks across asset classes and regions to bring our full fund to bear.

We are **progressive thinkers** who keep a sharp focus on targeted impact areas. We seek long-term sustainable growth through investments that drive positive outcomes.

We have **expert teams** focused on **long-term value creation** within our portfolio – particularly in private assets – to deliver attractive risk-adjusted returns.

KEY OBJECTIVES

Growth

Maintain fully funded status of the plan

Achieve stable real returns

Reach $300 billion in net assets by 2030

Maintain origination capabilities to source 50% of investment opportunities outside of North America

Culture

Be a truly diverse organization

Operate as one global interconnected team across asset classes and geographies

Impact

Manage our investments and leverage our influence to advance environmental action and level the playing field while earning attractive returns

Achieve net-zero greenhouse gas emissions by 2050, with interim targets to reduce our portfolio carbon emissions intensity

Help accelerate the decarbonization of the global economy by investing in green and transition assets

Q&A with our Chief Investment Officers

In January 2024, Ontario Teachers' announced the appointment of Gillian Brown and Stephen McLennan as Chief Investment Officers (CIOs). Gillian and Stephen are the fifth and sixth CIOs in the plan's history, and this marks the first time CIO accountabilities have been split between two individuals. Below, Gillian and Stephen talk about their careers at Ontario Teachers', their new roles and opportunities they see ahead.

Q: Tell us a bit about your careers at Ontario Teachers' and how your paths have intersected.

Gillian: I joined Ontario Teachers' in 1995 with a role on the trading floor. Since that time, I have worked in multiple groups which has allowed for exposure to many areas of our Investments division, including credit, insurance linked securities and equity products, and derivative strategies and trading.

I have worked alongside Stephen for more than 20 years, but most consistently since 2018, when he took over the Total Fund Management (TFM) team and I took responsibility for Capital Markets to oversee active risk taking in the credit and absolute return asset classes, as well as a centralized trading function. We built a strong partnership, and I am looking forward to extending that partnership in our new roles.

Stephen: Like Gillian, I have worn many hats during my time at Ontario Teachers'. I joined the organization in 2003 as part of the credit team, where I spent almost a decade, which included the tumultuous Global Financial Crisis. From there, I helped establish a Natural Resource investment team before being appointed to lead TFM, with a mandate focused on asset allocation, treasury, economics and sustainable investing.

Last September, I was appointed as the Acting Head of Investments following the departure of former CIO and longtime colleague Ziad Hindo, which has made for a smooth transition into this new role that I am thrilled to be taking on in partnership with Gillian.

Q: Could you talk a bit about the new multi-CIOs model?

Stephen: I believe our new model with shared accountability at the top of the Investments division better aligns to a more complex business environment and positions us well for the future. Having accountabilities spread out between us not only provides people development opportunities within our team, but also positions us to have improved agility in the execution of our investment plan and sharpen our capital allocation.

My mandate includes setting our overall asset allocation and determining the optimal weighting by asset class, sector and region. I will continue to oversee TFM and take on new accountabilities for our global investment teams in Europe and Asia-Pacific.

Gillian: I am leading our active strategies across public and private markets, which includes our Equities, Infrastructure & Natural Resources, Teachers' Venture Growth, Capital Markets, and Real Estate investment departments.

Within the new model, our roles are clearly defined and distinct from one another, which will allow us to bring greater breadth and depth of thinking and improved execution. At the same time, we will run things in close partnership and collaborate as "one team".

Q: What are the key trends you are noticing in markets right now and how are you responding?

Stephen: What we are seeing is a more complex investment landscape. Increased urgency around sustainability, the politicization of the marketplace, the end of hyper-globalization and rapidly evolving technology like artificial intelligence (AI) are some of the themes we are watching most closely now and integrating into our activities and management of our portfolio.

We have benefitted over the last 30 years from tailwinds that have been beneficial for institutional portfolios, Ontario Teachers' included. With inflation above long-term averages and a higher cost of capital expected to persist for some time, many of those tailwinds are not expected to have the same benefits moving forward.

Being a long-term investor is an advantage in challenging markets. We have built our portfolio to be resilient across many different economic environments. But that does not mean we will stand still. Among the key areas of focus for us today are optimizing and creating value in the portfolio, managing liquidity, and integrating and capitalizing on our new, in-house real estate investment department.

Q: Where are some of the opportunities you are most excited about investing in?

Gillian: We are continuing to pursue a few thematic opportunities that have been of interest for some time while also evolving our thinking to incorporate emerging trends. In terms of our continued pursuits, climate change and the transition to a low carbon economy is certainly an area with some interesting and attractive investment opportunities. Renewable energy, batteries, green hydrogen, the power grid, and opportunities to decarbonize carbon-intensive companies are just a few examples of areas we would look at.

AI also presents some interesting opportunities for the Investment division – such as investing in cutting-edge companies or using it to increase the productivity of our teams. It also represents a potential threat to our portfolio companies that do not adapt and learn to use it. Ontario Teachers' is taking a cross-fund approach to identifying AI use cases, running experiments and working with leaders to best leverage technology for improved business results.

Digitization, healthcare, private credit and life sciences are other evolving areas that we believe will bring compelling investment opportunities going forward.

Portfolio construction

Recognizing that asset-mix selection is an important driver of long-term performance, we devote considerable attention to constructing our portfolio and asset mix and the emphasis we place on each asset class and geography.

The investment team manages the asset mix under our total-fund strategy. They determine exposure to each asset class within ranges approved by the board.

In determining the ideal asset mix, Ontario Teachers' considers a variety of factors, including the desire to maintain stability in contribution and benefit levels, the demographics of the plan membership, the correlations between the Plan's assets and liabilities, and the goal of ensuring long-term stability for the Plan.

Considering the factors listed above, the Ontario Teachers' portfolio is intentionally designed to mitigate exogenous shocks and provide stable risk-adjusted returns over the long term.

As our investment departments overlap with several asset classes, we have provided a matrix illustrating their relationship.

MAPPING DEPARTMENTS TO ASSET CLASSES

INVESTMENT DEPARTMENTS / Asset classes	Equities	Capital Markets	Infrastructure & Natural Resources	Real Estate	Teachers' Venture Growth
Equity	●	●	●	●	●
Fixed income		●			
Inflation sensitive		●	●		
Real assets		●	●	●	
Credit	●	●	●		●
Absolute return strategies		●			

Asset mix

Ontario Teachers' looks at the total fund and shares capital across asset groups to optimize returns. One of our competitive advantages is our ability to alter the asset mix strategically to reflect market conditions.

Notable changes to the asset mix in 2023 include:

The fixed income asset class grew to $95.8 billion from $86.0 billion the year prior, or from 35% of net investments to 39%. Growth in this asset class reflected a corresponding growth in the funding for investments category, which grew from -$99.0 billion at the end of 2022 to -$114.2 billion at the end of 2023 (-40% to -47%). Allocation to the fixed income asset class and related funding was increased to reflect its growing attractiveness due to higher interest rates.

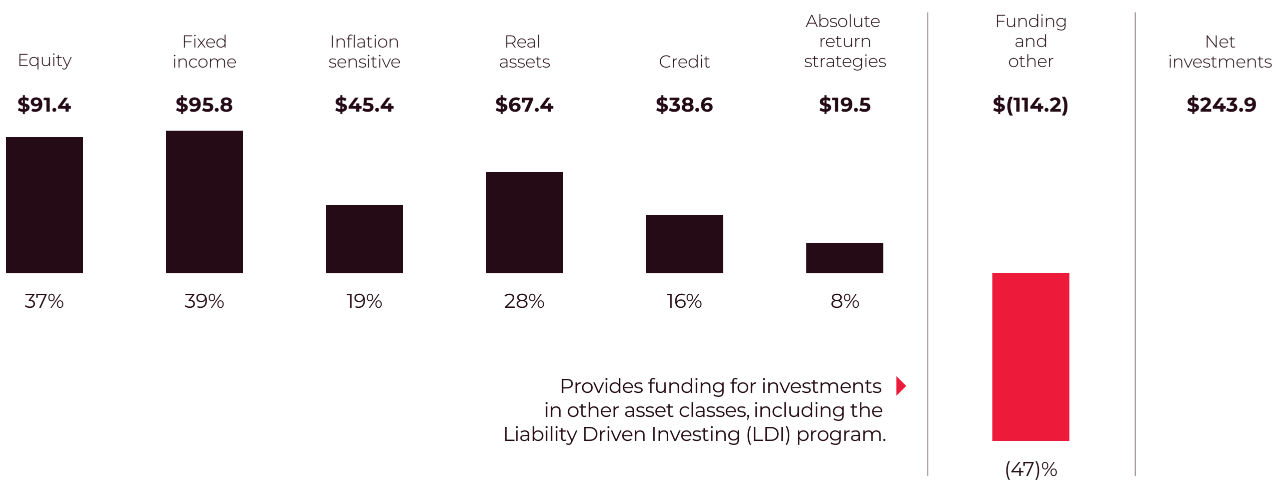
The equity asset class grew slightly in 2023 to $91.4 billion from $87.6 billion the previous year. This was driven primarily by strong performance in the public equities portfolio, which increased the value of the holdings. Allocation to private equity and venture growth year-over-year was largely flat.

Allocation to the credit asset class also grew slightly year-over-year to $38.6 billion from $35.2 billion, continuing a trend from the previous year as the fund found credit increasingly attractive due to higher interest rates and high valuations in other asset classes.

Capital allocated to Ontario Teachers' other asset classes was largely stable compared to the previous year.

NET INVESTMENTS[1]

As at December 31, 2023 ($ billions)



1 Comprises investments less investment-related liabilities. Total net assets of $247.5 billion at December 31, 2023 (2022 – $247.2 billion) include net investments and other net assets and liabilities of $3.6 billion (2022 – $3.1 billion).

DETAILED ASSET MIX
As at December 31

	2023		2022	
	Effective Net Investments at Fair Value ($ billions)	**Asset Mix %**	Effective Net Investments at Fair Value ($ billions)	Asset Mix %
Equity				
Public equity	**$25.4**	**10%**	$21.9	9%
Private equity	**58.5**	**24**	58.3	24
Venture growth[1]	**7.5**	**3**	7.3	3
	91.4	**37**	87.5	36
Fixed income				
Bonds	**85.9**	**35**	76.2	31
Real-rate products	**9.9**	**4**	9.8	4
	95.8	**39**	86.0	35
Inflation sensitive				
Commodities	**22.2**	**9**	25.0	10
Natural resources	**11.4**	**5**	10.1	4
Inflation hedge	**11.8**	**5**	12.7	5
	45.4	**19**	47.8	19
Real assets				
Real estate	**28.2**	**12**	28.1	12
Infrastructure	**39.2**	**16**	39.8	16
	67.4	**28**	67.9	28
Credit	**38.6**	**16**	35.2	14
Absolute return strategies	**19.5**	**8**	18.7	8
Funding and other[2]	**(114.2)**	**(47)**	(99.0)	(40)
Net investments[3]	**$243.9**	**100%**	$244.1	100%

1 Effective January 1, 2023, investments of $7,438 million formerly included in the Innovation asset class are now included in Equity – Venture growth ($7,331 million) and Credit ($107 million) asset classes.

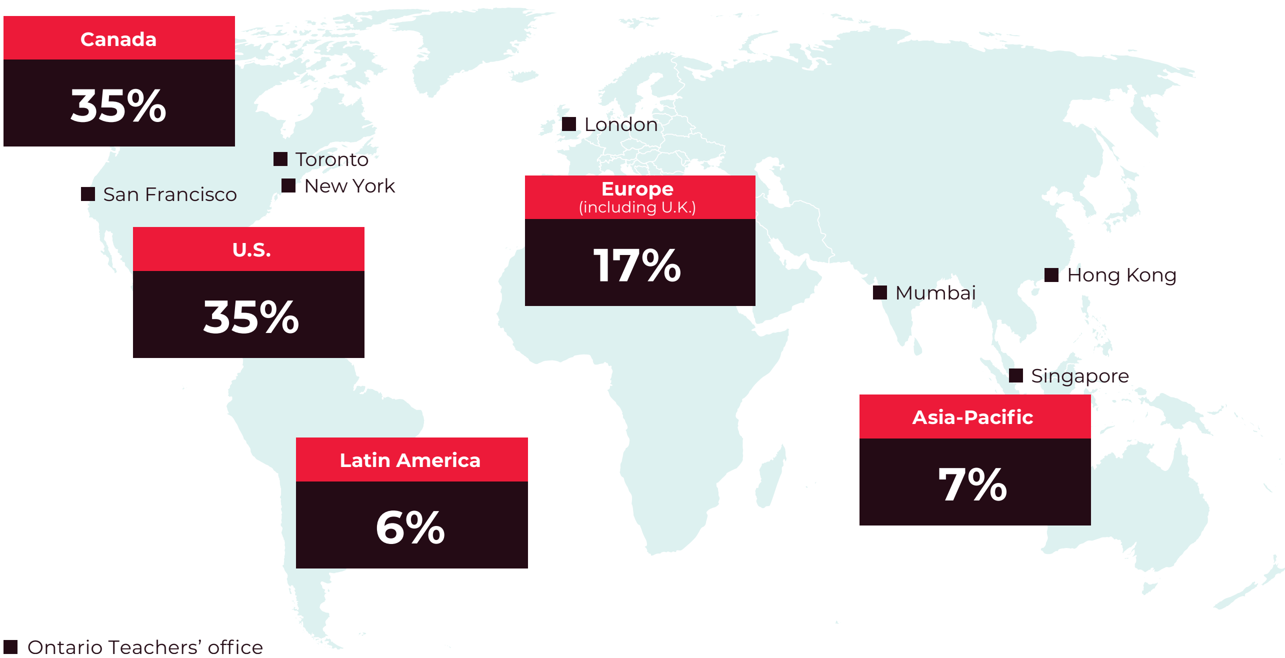
2 Includes funding for investments (term debt, bond repurchase agreements, implied funding from derivatives, unsecured funding and liquidity reserves) and overlay strategies that manage the foreign exchange risk for the total fund.

3 Comprises investments less investment-related liabilities. Total net assets of $247.5 billion at December 31, 2023 (2022 – $247.2 billion) include net investments and other net assets and liabilities of $3.6 billion (2022 – $3.1 billion).

Diversification

Total-fund diversification through effective portfolio construction is fundamental to our success. Diversification allows us to spread risk across key factors such as time horizons, asset classes, geographies and sectors. This supports our objective of achieving stable total-fund returns and helps us to perform well in a variety of investment environments while mitigating the adverse impact of any one investment loss on the fund overall.

GROSS INVESTMENTS BY GEOGRAPHY[1]
As at December 31, 2023



1 Percent of total gross fair value of investments based on country of primary listing, location of head office or location of property. Gross investments include securities sold but not yet purchased, and exclude investment-related receivables and investment-related liabilities.

Cadillac Fairview's TD Centre office complex in downtown Toronto

Case study

Investing in Canada

While our offices and portfolio span the globe, many of our significant investments are based in our home country. With more than a quarter ($100 billion) of our gross asset portfolio located in Canada, we are a large investor in the country, with local expertise that positions us to identify and earn strong risk-adjusted returns in attractive opportunities.

Our investments in Canada provide growth opportunities and employment to approximately 27,000 Canadians. This significant exposure to Canada is a source of pride for Ontario Teachers', with investments that cover a wide range of sectors, including everything from district energy (see page 74 to learn more about our investment in Enwave) to senior retirement homes.

Ontario Teachers' holds a gross portfolio of public and private assets totaling

$100B

in Canada

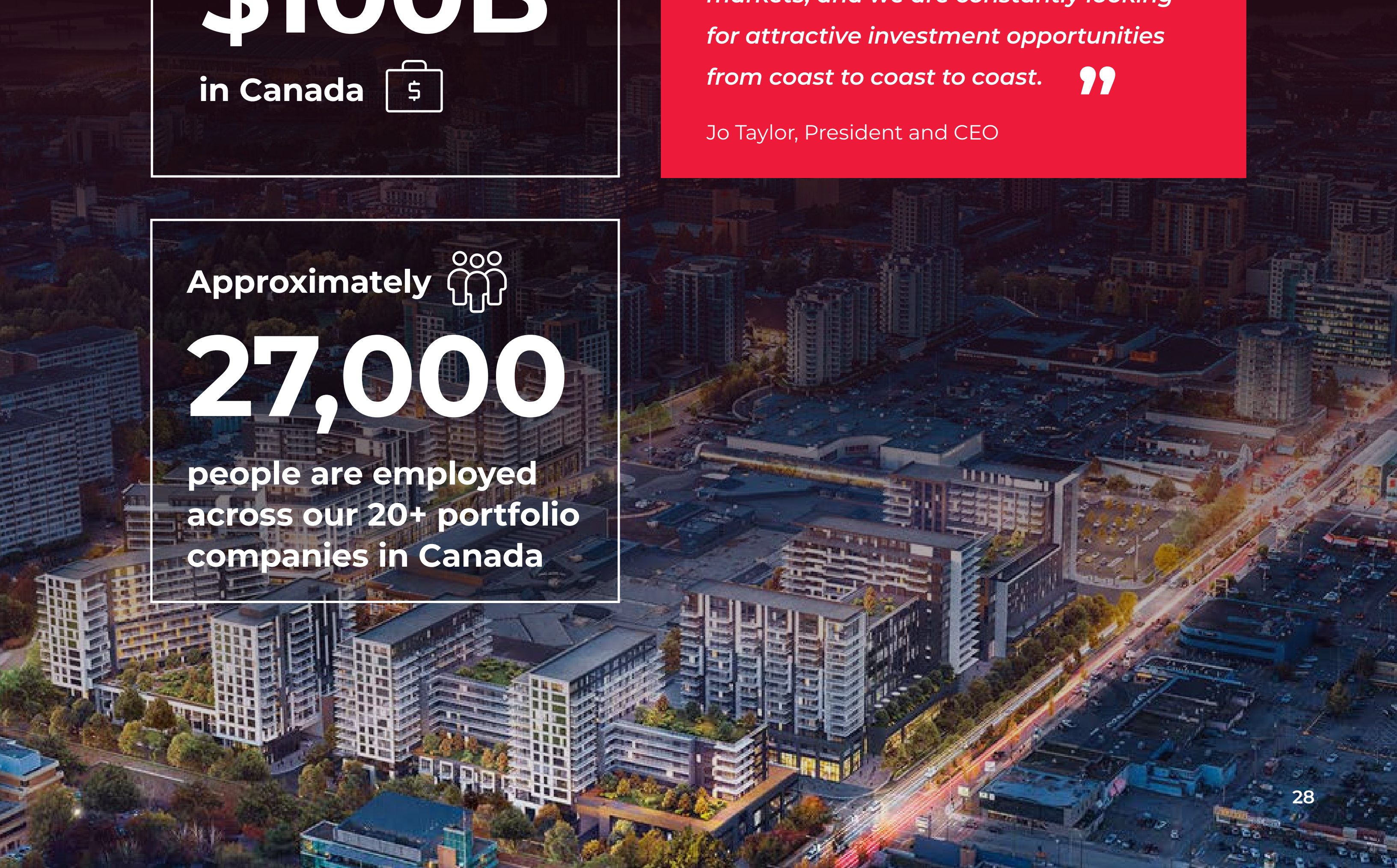
"Ontario Teachers' has a long and successful history of investing in a variety of asset classes across our home country. Canada remains one of our key focus markets, and we are constantly looking for attractive investment opportunities from coast to coast to coast."

Jo Taylor, President and CEO

Approximately

27,000

people are employed across our 20+ portfolio companies in Canada



Cadillac Fairview

As one of Canada's leading real estate owners, operators and developers, Cadillac Fairview (CF) is well known for its premier shopping malls like the Eaton Centre and office towers like TD Centre. But CF is also working to develop residential properties to meet Canada's critical housing needs. CF's residential development program aims to deliver 7,000 rental units in cities including Montreal, Ottawa, Toronto and Vancouver.

Global Container Terminals

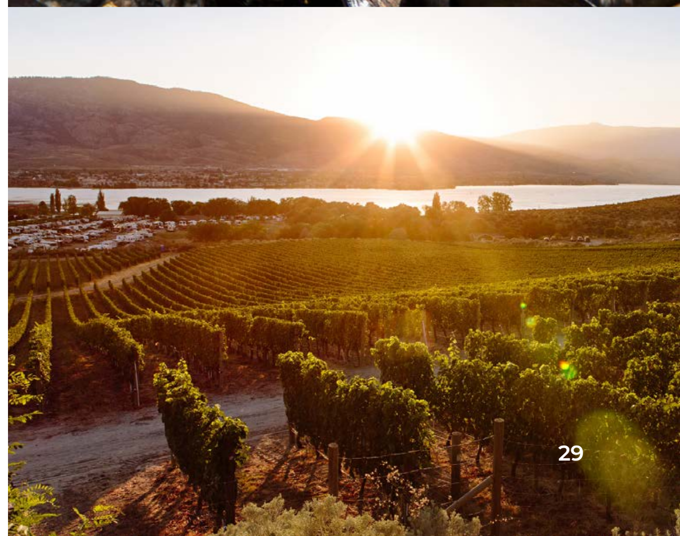
Global Container Terminals (GCT) is a west coast-based container terminal operator. Its state-of-the art terminals in Vancouver and Delta, British Columbia, offer key access to international trade routes, helping Canadian companies access major markets in Asia-Pacific to grow their businesses. GCT's two terminals are efficient, sustainable and environmentally friendly, earning the "Green Marine" certification.

Atlantic Aqua Farms

For over 35 years, Atlantic Aqua Farms have set the highest standard of quality in the North American mussel industry. Today, they are the #1 grower and processor of live mussels in North America and continue to expand their oyster farming network. Shellfish aquaculture naturally uses low-impact farming techniques, which allows for increased supply without significant environmental or social impact.

Arterra Wines Canada

Founded in 1874, Arterra Wines Canada (Arterra) is Canada's leading producer and marketer of award-winning, globally recognized Canadian and imported wines. It owns and operates 164 Wine Rack retail stores in Ontario and employs over 2,000 people across Canada. Arterra has received over 1,500 accolades across its 100+ wine brands, including seven of the top 20 brands in Canada.



Global footprint

We have continued our focus on growing our international capabilities, which allows us to access the best investment opportunities across several regions and enable enhanced diversification for the Fund. To do this, we have established offices and teams in Asia-Pacific, Europe and the United States, hiring top talent to build strong in-house investment teams operating across asset classes. As part of the establishment of an in-house real estate team, real estate investment professionals joined Ontario Teachers' in all three regions on January 1, 2024.

Looking ahead, we are well-placed to drive sustainable global growth across our regional locations and work with our portfolio companies to help drive greater value. The following pages include an update on our regional activities over the past year.

Asia-Pacific

We continued to deepen our capabilities in the region across our Singapore, Hong Kong and Mumbai offices. Last year marked the first full year of operations for our Indian office as well as the 10-year anniversary of our on-the-ground presence in Hong Kong.

Bruce Crane was promoted to lead our Asia-Pacific business, having served as the region's Head of Infrastructure & Natural Resources since 2020. We were also pleased to welcome Deepak Dara as our Head of India, based in Mumbai.

The Asia-Pacific team now has approximately 60 investment professionals across our three offices, with a focus on investing throughout India, Australia, Japan and the rest of Asia. The gross portfolio is now valued at approximately $22 billion.

Investments highlights this year included:

- The continued internationalization of **GPA Global**, via organic growth and three bolt-on acquisitions, as we help advance GPA's goal of becoming a premium packaging solutions player and growing near- and onshore manufacturing capabilities.

- An investment in the Indian express logistics platform **Xpressbees**, via our Teachers' Venture Growth arm, marking our first venture growth investment in India.

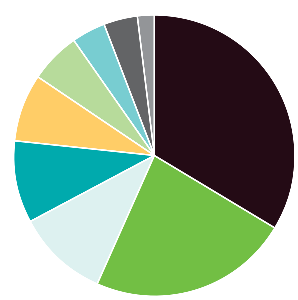
- Continuing to grow our existing New Zealand Towers portfolio company **Connexa** with the acquisition of **2degrees'** mobile towers portfolio to become New Zealand's leading digital infrastructure platform.

- The growth of our natural resources strategy in the region as we seek to use private markets to manage inflation risk and provide positive returns.
  - Notably, we grew our agriculture portfolio in Australia through our subsidiary AustOn Corporation, where 2023 saw us initiate two new strategic partnerships, with category leaders **Mitolo Family Farms** and **Montague Farms**.
  - We also acquired a majority stake in **GreenCollar**, a leading environmental markets firm creating a biodiversity market in Australia, as part of our natural climate solutions strategy (read more about GreenCollar on page 46).

Looking ahead, we will continue to focus on expanding in Asia-Pacific to access the dynamic investment opportunities we see across asset classes in our core regions.

$22 billion

in gross investments in Asia-Pacific



Private Equity	**35%**
Infrastructure	**24%**
Public Equity	**11%**
Credit	**10%**
Venture Growth	**8%**
Natural Resources	**6%**
Timberlands	**4%**
Real Estate	**4%**
Absolute Return Strategies	**(2)%**

Europe, the Middle East and Africa

Our team of approximately 80 investment professionals evaluate opportunities across asset classes in Europe, the Middle East and Africa (EMEA) from our office in London. We continue to pursue our strategy of growing and optimizing our investment portfolio as a lead or co-control investor in private equity, infrastructure and real estate, building our venture growth platform, creating value within our portfolio companies, and selectively deploying capital across public and private markets. Following the hire of Jeppe Gregersen at the end of 2022 as Global Head of Private Credit and EMEA Head of Credit, we have also been growing our capabilities as a direct credit investor. The EMEA portfolio now has approximately $48 billion of gross investments.

We were also pleased to welcome our board to the United Kingdom in April, alongside our executive team, in their first board meeting held outside Toronto. Alongside a series of meetings and updates from the EMEA Investments team, they visited two U.K.-based assets: our life sciences complex in London's White City Place and Birmingham Airport.

Notable portfolio highlights over the year include:

- The acquisitions of leading U.K. wealth manager **7IM** and online presence solutions platform **group.one**, as part of our private equity strategy to acquire control positions in high-growth companies operating in our target sectors.

- Realizing value from our portfolio while ensuring the best outcome for the companies we have responsibly stewarded, through the sale of **Premier Lotteries Ireland** to Groupe Française des Jeux, and the completion of the sales of satellite business **Inmarsat** to Viasat Inc., and Iberian funeral services provider **Mémora** to Spanish insurance company Catalana Occidente.

- Supporting the energy transition via our role as a leading investor in infrastructure assets, with 2023 marking the first year working with **SSEN Transmission**, following the acquisition of a 25% stake in the company at the end of 2022.

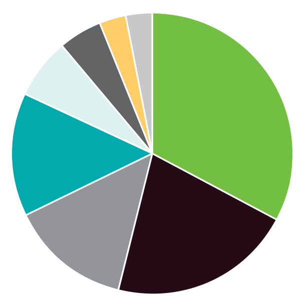
- Leading the Series C investment into **Instagrid**, via our Teachers' Venture Growth arm, which will help the company expand into North America and increase the production and range of its high-performance, portable battery systems that provide a sustainable alternative to the fossil fuel generators used to power mobile work in construction, film, events and emergency services.

- Expanding our real estate footprint in continental Europe through our partnership with **Boreal IM**. This involved the acquisition of logistics assets in France, Spain and Italy throughout 2023, facilitated by our newly established in-house real estate team.

- Deepening our commitment to investing in U.K. life sciences real estate via the acquisition of further space in **Cambridge Science Park**, alongside our partner Stanhope PLC.

$48 billion

in gross investments in EMEA



Infrastructure	**33%**
Private Equity	**21%**
Absolute Return Strategies	**14%**
Credit	**14%**
Public Equity	**7%**
Real Estate	**5%**
Venture Growth	**3%**
Commodities	**3%**

United States

The U.S. is one of Ontario Teachers' largest regions for investments with approximately $100 billion in gross investments (approximately 35% of gross investments). The country has been an important driver of returns for the fund since its inception in 1990.

Our diverse portfolio in the U.S. covers all our asset classes and is managed locally by 17 investment professionals based in San Francisco and Dallas alongside our Toronto-based teams.

Investments highlights this year included:

- Acquired a significant equity ownership position in **Diamond Communications**, one of the largest privately held U.S. wireless communications infrastructure platforms with over 4,000 owned and managed tenanted sites and over 300,000 managed properties across the U.S.

- Acquired a 25% stake in **Sweetwater Royalties**, a base metals, industrial minerals and renewable energy royalty company. Sweetwater's royalty revenue is sustained by a diversity of mineral, agricultural and energy sources including its flagship trona royalty in Sweetwater County, Wyoming.

- Secured a co-control stake in **Compass Datacenters, LLC**, a world-class data centre platform focused on global hyperscale customers primarily in North America. Ontario Teachers' originally acquired a stake in Compass in 2016 and is pleased to have acquired joint control given continued demand for cloud computing, in part driven by emerging trends such as AI adoption.

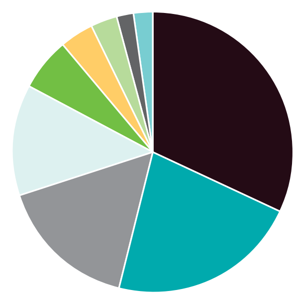
- Realized significant value of our private equity portfolio through finalizing an agreement to sell **Shearer's Foods** to Clayton Dubilier & Rice and the partial sale of **SeaCube Container Leasing Ltd.** to Wren House.

- Our Teachers' Venture Growth team participated in the Series I investment round for leading data and AI company **Databricks**. Databricks helps customers unify data, analytics and AI on a single platform so that they can govern, manage and derive insights from enterprise data and build their own generative AI solutions faster.

- Acquired Lincoln Property Company's Residential Division, later rebranded as **Willow Bridge Property Company**. Based in Dallas, Texas, Willow Bridge manages and develops multifamily properties across the United States.

$100 billion

in gross investments in the U.S.



Private Equity	**32%**
Credit	**22%**
Absolute Return Strategies	**16%**
Public Equity	**13%**
Infrastructure	**6%**
Venture Growth	**4%**
Natural Resources	**3%**
Real Estate	**2%**
Timberlands	**2%**

Funding for investments

The Funding for Investments allocation represents the net implicit funding for the overall asset mix. It includes exposures such as bond repurchase agreements used for managing day-to-day liquidity, implied funding from derivatives used to efficiently gain passive exposure in our asset mix, short-dated and term unsecured funding guaranteed by Ontario Teachers', and liquidity reserves. These activities resulted in a negative exposure for Funding for Investments in the overall asset mix, with the amount expected to vary from year to year based on the implementation of the asset mix.

The Funding for Investments allocation allows Ontario Teachers' to:

- Hedge the interest rate risk associated with our pension liabilities;
- Achieve the optimal overall risk-return profile for the investment portfolio;
- Obtain exposure to certain markets more efficiently;
- Increase our holdings of lower-risk asset classes that generate attractive risk-adjusted returns; and
- Maintain sufficient liquidity.

Ontario Teachers' is focused on diversifying our sources of investment funding, managing the cost and maturity profile of the plan's financial liabilities, maintaining a presence in key funding markets, and supporting the overall management of the currency exposure of our global investment program.

Ontario Teachers' Finance Trust (OTFT), an independent entity, plays an important role in our overall strategy. OTFT issues commercial paper and term debt that is fully, unconditionally and irrevocably guaranteed by Ontario Teachers'. OTFT operates a global term-debt program with issuances in currencies such as USD, EUR, GBP and CAD. The OTFT program aligns well with the global nature of the overall investment portfolio. Furthermore, OTFT also issues green bonds, which support our net-zero ambition and desire to earn attractive returns while having a positive impact through our activities.

Liquidity management

Liquidity and funding allow us to take advantage of investment opportunities, which is why they are carefully managed. Our Total Fund Management (TFM) department uses its holistic view of the portfolio to determine how resources can be effectively utilized to support liquidity and funding. This includes ensuring we have sufficient cash on hand to meet current liabilities and liquidity in place for disruptive market events.

Ontario Teachers' has a governance framework and reporting requirements for liquidity. We test our liquidity position daily through simulations of major market events, and our board's Investment Committee receives regular updates on our liquidity position. We continuously monitor liquidity management practices, adapt and enhance the way that we manage, oversee, measure and report on liquidity and funding risks.

More information on our liquidity risk management is available in NOTE 2h to the consolidated financial statements and on our website.

Investment cost management

Ontario Teachers' is committed to cost effectiveness and believes costs should be managed and linked to the investment value creation process. Ontario Teachers' employs a pay-for-performance approach to compensation to ensure that pay reflects performance against corporate results and priorities. The board and management employ various tools to ensure that costs are appropriate and well-managed. Costs are also evaluated against peer plans on a regular basis by independent benchmarking studies.

The amount of invested capital, asset class weightings and investing style are factors that affect asset management costs. Generally, the absolute costs of management increase as more capital is invested, which can be partly offset by economies of scale.

Managing assets in-house, combined with our strategic partnership model with external managers, is a cost-effective means of implementing our investment strategies. However, our substantial investments in private assets and commitment to active management result in higher costs than if assets were deployed in lower-cost public securities and passive mandates. Ontario Teachers' also incurs costs to maintain international offices, which are an integral factor in our ability to source investment opportunities globally, effectively manage our portfolio and access talent in priority markets. We believe incurring these costs allows us to achieve greater risk-adjusted returns over the long term than if the plan's assets were invested passively.

The strategic planning process aligns costs with strategy. The integrated plan, encompassing the investment and financial plans, is approved annually by the board. Expense policies are in place to ensure costs incurred are appropriate, and opportunities to improve asset management efficiency are regularly sought out.

Investment costs

Investment costs include administrative expenses, transaction costs and management fees. Total investment costs for 2023 equal $1,855 million or 75 cents per $100 of average net assets, compared to $1,886 million in 2022 (or 78 cents per $100 of average net assets).

What is included in administrative expenses?
Investment administrative expenses include staff salaries, incentives and benefits, premises and equipment, professional and consulting services, information services, communication and travel, and custodial, audit and board fees. Ontario Teachers' believes that certain investment programs can be most efficiently delivered using in-house talent. The costs related to employing in-house investment teams and associated supporting functions such as legal, operations, technology and finance represent the majority of administrative expenses.

Investment administrative expenses were $829 million or 34 cents per $100 of average net assets, up from $785 million in 2022 (cost per $100 was 33 cents). This increase in absolute administrative expenses was due to an increase in salaries and benefits to reflect a larger workforce, which was partially offset by lower annual and long-term incentives compared to the previous year. Premises, equipment and software and information services costs were also up year-over-year due to our larger workforce and expanded network of international offices.

What are transaction costs?
Transaction costs are those directly attributable to the acquisition or sale of investments. Due diligence and advisory services, in areas such as financial, legal, tax, regulatory and ESG, are the most significant transaction costs that support private asset transactions. In the case of public securities, transaction costs primarily consist of commissions.

Transaction costs were $407 million in 2023 or 16 cents per $100 of average net assets, compared to $471 million (19 cents per $100 of average net assets) in 2022. The decrease in transaction costs was driven by lower investment activity compared to the previous year.

What are management fees?
Ontario Teachers' selectively allocates capital to key public and private market external managers to access specialized talent and investment opportunities where it is not cost-efficient or practical to do it in-house with internal talent. Through these relationships, Ontario Teachers' incurs both traditional management fees, which are typically based on the amount of capital allocated, and performance-based fees, which are based on returns above a predetermined threshold and can vary significantly from year to year. Management fees also include incremental costs incurred with external parties that are directly attributable to existing investments and are not related to acquisition or sale. We attempt to strike the right balance by negotiating so that these fees encourage alignment between the interests of Ontario Teachers' and our external managers.

In some cases, management and performance fees are incurred by entities in which Ontario Teachers' has invested, rather than directly by Ontario Teachers'. All such fees are reflected in the plan's net investment income. When directly invoiced, or when information is otherwise available from capital notices or other manager communications, management and performance fees incurred by the underlying fund investments are reported as such in the Investment costs table below.

In 2023, management fees, including performance fees, were $619 million (25 cents per $100 of average net assets), slightly down from $630 million (26 cents per $100 of average net assets) in 2022 due to lower performance fees.

	2023		2022	
	$ millions	**Cents per $100 of average net assets**	$ millions	Cents per $100 of average net assets
Administrative expenses	**$ 829**	**34**	$ 785	33
Transaction costs	**407**	**16**	471	19
Management fees[1]	**619**	**25**	630	26
Total investment costs	**$ 1,855**	**75**	$ 1,886	78

1 Includes management fees of $418 million (2022 – $492 million) for Equities and $143 million (2022 – $84 million) for other asset classes incurred by the underlying fund investments of Ontario Teachers'. These accounts are included in Net Gain (loss) on Investments in NOTE 5 of the consolidated financial statements in accordance with the presentation described in NOTE 1a.

Focusing on our impact

We are committed to making a positive impact as an investor, owner and employer as we believe this is aligned to creating value.

Ontario Teachers' has a long history as a purpose-driven, long-term-oriented investor and employer, and we continue to deepen our approach to pursuing and measuring the positive impact we can have through our investment, operational and employee-led community giving activities.

Our efforts are aligned to two key themes:

1. **Advance environmental action:** supporting the reduction of greenhouse gas (GHG) emissions and waste across our operations and investment portfolio, seeking to invest in transition assets to advance and measure real world decarbonization, and mitigate the impacts of climate change and the loss of natural capital.[1]
2. **Level the playing field:** helping reduce barriers to accessing essentials such as employment/wealth creation, health care, education and financial services in order to support improved and more equitable social outcomes.

1 Natural Capital can be defined as the world's stocks of natural assets which include geology, soil, air, water and all living things.

An enterprise-wide approach to making a positive impact

OUR IMPACT AMBITION

Be a leader in driving positive social and environmental outcomes as we create value for our members

AREAS OF FOCUS

Advance environmental action

Level the playing field

STRATEGIC PILLARS

HOW WE INVEST

Harnessing our investment capital and stewardship to create value and make a real-world impact

HOW WE OPERATE

Making an impact through our operations

HOW WE GIVE BACK

Leveraging our people to make a community impact

How we invest

Harnessing our investment capital and stewardship to deliver compelling returns while making a real-world, positive and measurable impact.

Across our portfolio, we seek to invest in and cultivate businesses effecting positive change, where feasible, alongside a compelling return. We do this because we believe companies with best-in-class sustainability credentials are best-prepared to succeed in an environment marked by increasing complexity and uncertainty.

As long-term stewards of our portfolio companies, we have observed how expectations of investors and businesses have evolved from mitigating environmental, social and governance risks to taking a more active role in driving opportunities for positive change. This is driven in part by the magnitude and scale of global challenges such as climate change, the energy transition and growing social inequities (to name a few), which are already impacting businesses in a myriad of ways. As a result, we believe that in the future, businesses that are proactively tackling these areas will be able to take advantage of new value-generating opportunities while contributing to real-world, positive impact.

Through our investment activities, we have three primary levers through which we can generate both value and a positive impact: (1) Seeking and creating best-in-class portfolio companies; (2) Using our voice for change towards sustainability goals; and (3) Intentionally pursuing and measuring positive impact through a formalized Impact Investing strategy.

Seeking and creating best-in-class portfolio companies

As a builder and protector of the retirement security of over 340,000 working members and pensioners, we seek to invest in and build sustainable businesses. We believe that sustainable investing, the practice of integrating and managing sustainability-related risks and opportunities throughout the investment process, supports the creation of long-term, sustainable growth and contributes to higher risk-adjusted returns to help pay pensions. Our approach to sustainable investing is rooted in the belief that a company's effectiveness in managing sustainability-related risks and opportunities is a key determinant of their long-term success and profitability. Integrating sustainability-related risks and opportunities into our investment decisions and overarching investment strategy helps us make good investments today, while also managing the impacts on the world around us and for future generations.

Governance

Core to our sustainable investing practices is the foundation of good governance and accountability. The governance processes, controls and procedures we use to monitor, manage and oversee sustainability-related risks and opportunities extends throughout the organization.[1] For a detailed infographic of our sustainable investing leadership and implementation, please see our Responsible Investing Guidelines.

Ontario Teachers' has established four principles that underpin how the organization considers and manages sustainability-related risks and opportunities.[2]

1 A full overview of areas of responsibility for sustainable investing leadership and implementation is presented in our Responsible Investing Guidelines (p. 3), and can be found here: https://www.otpp.com/content/dam/otpp/documents/reports/OTPP_Responsible_Investing_Guidelines_2022.pdf.

2 How we apply these principles is described in detail in our Responsible Investing Guidelines (p. 4–7).

INTEGRATE

We integrate ESG considerations into our investment process to manage risk and add value.

ENGAGE

We engage with the companies we invest in to promote change and nurture success.

INFLUENCE

We use our influence as a global investor to create a supportive and sustainable business environment.

EVOLVE

We evolve to build our institutional knowledge and to keep ahead of the curve.

INTEGRATE

Ontario Teachers' considers material sustainability and climate-related risks and opportunities alongside other investment factors throughout the investment lifecycle. We do that initially based on an analysis of the sector(s) and geographies in which companies operate, using our professional expertise. We also use external resources to help identify and assess sustainability and climate-related risks to a business.

We seek to ensure that we have a well-diversified portfolio spanning, among other things, different asset classes, jurisdictions and sectors. A well-diversified portfolio helps bolster the overall resiliency of the portfolio, for example by mitigating exposure to concentrated sustainability and climate-related risks. Where possible, risks are quantified and integrated into sensitivity analysis, stress testing and asset valuations.

Managing climate-related risks and opportunities

Climate change is one of the most pressing global issues, with far-reaching impacts.

To assess climate-related transition risks and opportunities, we analyze and track new and emerging policies and legislation, technological shifts, changes in consumer preferences and habits, and human capital impacts. In our assessment of a public company's climate-related efforts, we rely on clear, relevant and complete disclosure to understand the risk profile and opportunity set. As such, where appropriate, we engage with companies to align their reporting with leading practices and frameworks. To identify climate-related physical risks and opportunities (which are mainly location-based), we analyze both chronic or acute exposure by leveraging advanced mapping tools that include current-state and future projections of climate change.

We seek to support our direct portfolio companies in their sustainability strategies, including the development of energy transition strategies and the consideration of value creation opportunities that come through decarbonization. We engage with companies (directly through discussions and proxy voting activities, and indirectly through industry initiatives) to encourage proactive disclosure and management of sustainability and climate-related risks and opportunities.

Our climate strategy

The road to net zero is an urgent but long one. Hard-to-abate sectors will continue to play a necessary role in our global economy until lower-emitting alternatives are more reliably available at scale and at an attractive cost. We intend to take an active role through our multifaceted climate strategy that focuses on investing in areas supportive of accelerating the transition.

This strategy is rooted in driving significant real-world impact, reflecting on our commitment to reduce the environmental impact of our portfolio and capitalize on opportunities supporting the broader transition to a low-carbon future.

Mahindra Susten, a major producer of solar power in India

Decarbonizing our portfolio

Work with companies where we have significant ownership stakes and influence to support them on a decarbonization pathway in line with their own sustainability objectives and our net-zero ambition.

Significantly increasing green and transition investments

Increase our capacity to deploy capital into companies that enable the net-zero transition, reduce GHG emissions and help build a sustainable economy while also helping us generate returns.

In 2023, we increased our green investments by approximately $600 million, defined as companies that generate clean energy, reduce demand for fossil fuels and help build a sustainable economy. We now have over $34 billion in green assets, and are progressing towards our target of $50 billion. Meanwhile, we are building capabilities to better assess and capture transition opportunities across asset classes.

Decarbonizing high emitters

Invest to accelerate the decarbonization of high-emitting businesses.

Transitioning high emitters to a low-carbon future is complex and will take time and capital, but it also creates opportunities. The decarbonization of the highest global emitters presents both an opportunity to make a real-world impact and generate strong returns given the premium that can be gained by shifting these companies towards a net-zero future.

Leveraging advocacy and partnerships

Engage on issues that help the broader economy shift toward net zero and collaborate with like-minded partners and investors.

Issuing green bonds

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

In 2023, Ontario Teachers' wholly owned subsidiary, Ontario Teachers' Finance Trust (OTFT), issued a $1 billion green bond with the proceeds being invested in companies or assets that enable the net-zero transition, reduce emissions and build a sustainable economy.

As at December 31, 2023, OTFT has issued a total equivalent to approximately $3.9 billion[1] in green bonds, and net proceeds from the green bond issuances are fully allocated to eligible green assets in our portfolio.

The positive impacts provided by eligible green assets within the latest Green Bond Register fall into three main categories:

- Renewable energy generation and transmission
- Energy efficiency
- Climate change adaptation

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.[2]

Using our influence as a voice for change towards sustainability goals

ENGAGE

Our aim is to be an active and good steward of the companies we own. Discussions with boards and management teams can provide insights into how companies are managing sustainability-related risks and opportunities, and this can change behaviours and inform our own research and analysis. Our engagement strategy calls for specific, measurable, achievable, relevant and timebound objectives, with progress monitored on an ongoing basis.

Decarbonizing our portfolio

We are working closely with our portfolio companies and contributing our expertise to help them plan and execute their transitions to a low-carbon future, in line with our commitment to achieve net-zero emissions on our investment activities by 2050.

In 2021, Ontario Teachers' set industry-leading targets to reduce portfolio carbon emissions[3] intensity by 45% by 2025 and two-thirds (67%) by 2030, compared to a 2019 baseline. These emission reduction targets cover public, private and corporate credit holdings, including external managers.

1 Foreign currency amounts were converted to Canadian dollars using the exchange rate as of the transaction date.

2 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 on our website.

3 Since we convert all greenhouse gases to tonnes of carbon dioxide equivalent (tCO_2e) in our calculations, the terms "greenhouse gas" or "GHG" and "carbon emissions" are used interchangeably in this report.

Interim targets

We have set near-term targets to reduce our portfolio carbon emissions intensity against a 2019 baseline by:

45%
by 2025

67%
by 2030

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

67%
by 2025

90%
by 2030

Applicable to companies in which we have significant stakes.

Interim targets are important as they help us ensure that we are on the right path and that we can evaluate ongoing progress today rather than decades into the future. We have set a target to align the portfolio companies in which we have significant stakes (minority or control) with a credible plan to achieve net zero by 2050, or what we call a "Paris Aligned Reduction Target" (PART).

We have made significant progress on our PART goals through collaboration with and providing resources to our portfolio companies. In 2023, we initiated decarbonization efforts with 24 private companies across infrastructure, natural resources, equities and real estate. This means we have now initiated engagement with over 80% of the eligible emissions under PART. Eight companies established Paris-aligned targets and are well underway with decarbonizing their operations. The focus for 2024 and 2025 will be to continue to work with these companies and increase the number of companies with Paris-aligned targets.

A good example of our decarbonization efforts with portfolio companies is Logoplaste, a global manufacturer of rigid plastic packaging in our Equities portfolio. From 69 sites across 18 countries, the company produces more than 12 billion reusable containers annually to hold some of the world's best-known household consumer products, helping divert waste from landfills.

For Logoplaste, the ubiquity of its products comes with a responsibility to make plastic packaging manufacturing more sustainable. As part of its commitment, Logoplaste has lowered its operational emissions by sourcing renewable energy across markets, implementing energy reduction activities, and having a central team for energy management and renewable energy procurement across the globe. They are committed to working towards achieving net zero by 2050 and have submitted their science-based targets. From 2021 to 2023, Logoplaste has increased their renewable energy use by 80%. In making significant sustainable choices throughout its operations and in facilitating the shift towards circularity, Logoplaste continues to capture opportunities with improving resource efficiency and contributing to their customers' sustainability goals.

Another example of our engagement efforts is Brussels Airport. In June 2023, Brussels Airport announced it will accelerate its ambition to achieve net zero for its Scope 1 and 2 emissions from 2050 to 2030. This will be supported by deploying a new central heating plant powered by renewable electricity, full electrification of the company fleet and further electrification of the service vehicles.

A wind farm in Spain owned by Cubico Sustainable Investments

Brussels Airport endeavours to go beyond their own emissions and contribute to secure a more sustainable future for the aviation sector. As part of the European Commission's Green Deal, Brussels Airport is leading the Stargate project, a consortium of 21 partners developing initiatives to decarbonize the aviation industry, through research on sustainable aviation fuel, digital twins and hydrogen use-cases across airports. By advancing significant initiatives, Brussels Airport is proactively addressing the challenges and shaping the future of the aviation sector.

To scale up our decarbonization actions, we provide our portfolio companies with a set of practical resources to support their decarbonization activities and deepen their understanding on the long-term value it creates. We also work to bring our portfolio companies together to create a platform for them to establish connections. For example, a sustainability forum was held with our airport portfolio in September 2023 to discuss and share best practice on decarbonization efforts. In a separate forum, we brought together sustainability executives and practitioners from the power transmission and distribution businesses in our Infrastructure & Natural Resources portfolio across the globe to discuss climate targets establishment and climate adaptation.

We understand that setting appropriate and credible targets takes time. We established a two-year grace period for target setting for any new investment where the company has not already defined emissions reduction targets. This allows the company to develop a thoughtful, meaningful and achievable approach. As 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 when those are material to the company.[1]

Stewardship

We seek to be a good steward of all our assets. As an investor in publicly listed companies, we recognize the opportunity to play an active role in shaping better outcomes for the businesses we invest in. We use a combination of proxy voting and engagement to drive positive change and create effective boards within our public markets portfolio. Our goal is to vote for every share of every company we own at every meeting of that company's shareholders.

1 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.

Voting our proxies

We voted on	at	in
7,288	**543**	**11**
resolutions	**meetings**	**countries, mainly in North America and Europe**

Key 2023 proxy voting themes: objectives and outcomes

Gender diversity

OBJECTIVE

Use our vote to drive a minimum 30% board gender diversity

OUTCOME

Diligence and persistence continue to pay off as average gender diversity across developed markets continues to increase beyond 30%. Outliers remain and we will continue to vote against and engage as needed.

Climate change

OBJECTIVES

Support shareholder proposals that encourage disclosure of decision-useful information

Hold directors accountable for climate change oversight

OUTCOMES

Supported 78% of shareholder proposals seeking reporting and/or reducing greenhouse gas emissions.

Voted against four directors on four boards for climate change oversight failure.

Executive compensation

OBJECTIVE

Ensure alignment between pay and performance

OUTCOMES

U.S. market continues to dominate negative say on pay votes with 92% of all votes against.

There is progress – 36 companies we voted against in 2022 improved their compensation practices such that we supported compensation in 2023.

Our Proxy Voting Guidelines

We annually review our Proxy Voting Guidelines (the "Guidelines") to ensure they reflect current thinking, market developments and significant events. They set our expectations for public company boards as well as explain our thresholds on governance issues, all of which are available publicly.[1]

The 2024 Guidelines establish heightened expectations of Audit Committees, including climate literacy as a core competency for its members. Climate-related impacts must be evaluated when reviewing budgets, performance and M&A activity. Additionally, the Audit Committee should understand environmental and reporting-related requirements for companies.

As part of the 2024 updates, the Guidelines also include measures aimed at long-term value creation and effective corporate governance, including:

- **Greater Director Accountability:** providing clarity on director accountability when director elections are staggered and/or when shareholder rights are weakened, or when their views are ignored under a dual-class structure.
- **Shareholder Proposals:** to increase transparency, issuers should include shareholder proposals in their disclosure where and when possible.

1 A copy of our 2024 Proxy Voting Guidelines can be found at: https://www.otpp.com/content/dam/otpp/documents/otpp-proxy-voting-guidelines-2024-en.pdf.

Engaging to increase board gender diversity

Board gender diversity remains a focus of our stewardship efforts in 2023. We used our vote to promote greater gender diversity on boards by holding directors accountable when less than three or 30% of directors identify as a woman. Our Proxy Voting Guidelines articulate that we will consider not supporting the chair of a company's governance and/or nomination committee if they fail to meet this threshold.

In 2023, we contacted more than 100 public issuers to explain our position on board gender diversity and why we voted against their directors. Our efforts are having an impact as reporting suggests representation of women in developed market indices such as the S&P 500 continues to improve year over year.

We are encouraged to see the progress to date. Of the 103 companies to which we sent letters in 2023 calling for improved board diversity, 22% now have boards with a minimum of 30% directors who identify as women:

4
are at 30%

14
are between 30% and 35%

5
are over 35%

The overall average percentage of women directors for these companies is now 33%, meeting a critical threshold for gender diversity at the board level.

INFLUENCE

We are a globally diversified, long-term investor. With broad exposure to macroeconomic and systemic market and credit risks, we have a natural and vested interest in the overall well-being of the environment in which we invest. As an asset owner, our influence can help support regulatory and policy developments that reduce risk, clarify uncertainty and promote sustainability in investments.

In 2023, COP28 marked the two-year anniversary since the International Sustainability Standards Board (ISSB) was created. In response to the resulting calls for climate action, we joined other institutional investors in support of the establishment of market infrastructure to enable consistent, comparable climate-related disclosures at a global level.

EVOLVE

We continue to evolve our approach and expectations for portfolio companies in line with leading practices. We believe that companies have an obligation to disclose their material business risks and opportunities to their investors and, in our view, should provide financially relevant, comparable and decision-useful information.

For our part, we track and disclose material sustainability-related measures and prioritize allocating capital to businesses best placed to preserve and create value over the long run. We have made strides in this regard over the past few years as we have amalgamated our annual and sustainable investing reports into a single report so that our stakeholders can assess our performance and strategy on financial and sustainability factors in a single report.

We will continue to evolve our approach to investing in, and creating value from, the transition to a low-carbon economy. Near-term focus areas include:

- Building our capabilities to invest in the global energy transition
- Driving regenerative resource usage through investments that deliver positive environmental impact
- Working with our portfolio companies to establish credible decarbonization plans
- Assessing the investment opportunity arising from “going where the emissions are” in areas critical to the transition
- Complementing our existing green bond impact metrics with enhanced capabilities to assess the potential impact of an investment and measure that impact over time

Pursuing and measuring positive impact through formalizing an impact investing strategy

Businesses that innovate to address social and environmental challenges while also creating value for their stakeholders will be well-positioned to thrive.

We are developing a formalized framework for impact investing to further enhance our positive impact. This framework will guide how we intentionally pursue and measure the positive impact these businesses are achieving on one of our two key themes: (1) Advancing environmental action; and (2) Leveling the playing field.

Our impact investments will be comprised of a subset of companies within our portfolio which meet our core impact investing criteria of intentionality, additionality, and measurement of positive environmental and/or social outcomes. Our approach to these investments will be non-concessionary with respect to risk-adjusted financial returns, in line with our fiduciary responsibilities.

In 2023, we trialed various impact measurement approaches to gain a deeper understanding of impact investing. To do so, we conducted an extensive pilot exercise on impact measurement to stress test our impact investing framework and to help define the outstanding dimensions of our strategy. We engaged over 30 peers in the market, including impact investing advisory firms, to help develop our approach. We believe effective impact measurement is an essential building block as it enables investors to measure, manage and report on social and/or environmental performance and progress, ensuring transparency and accountability reliably and credibly.

Core criteria for impact investments

1

Intentional
in **advancing environmental action** and **levelling the playing field**, targeting **underserved beneficiaries**

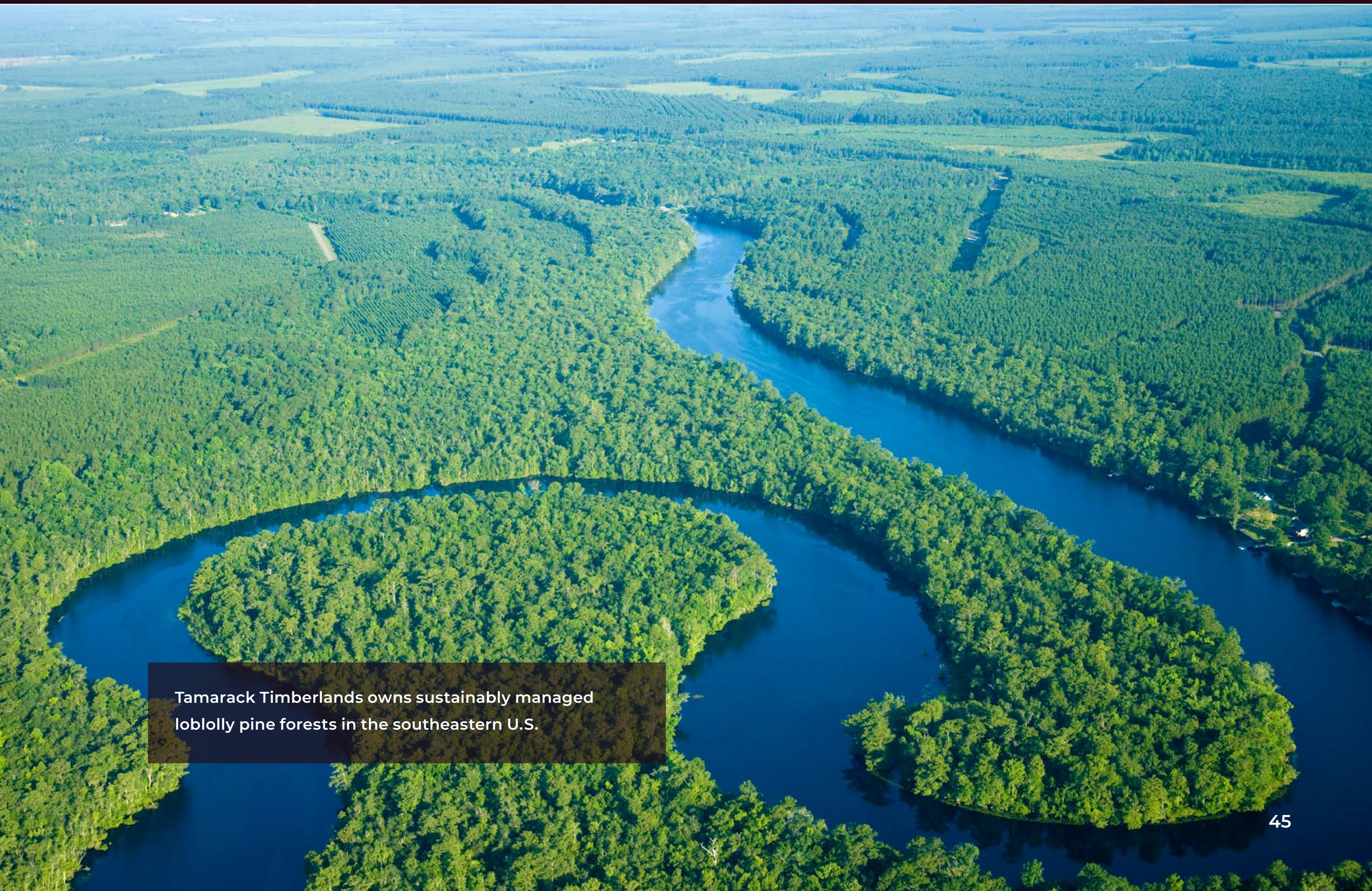
2

Additional
or generates positive social and/or environmental outcomes that are **incremental** in nature

3

Measurable
or commits to **report** on identified social and/or environmental key performance indicators

2024 will be a year of learning and internal capability-building as we work to implement our impact investing strategy.



Tamarack Timberlands owns sustainably managed loblolly pine forests in the southeastern U.S.

Pilot impact assessment of GreenCollar

GreenCollar is a market leader in Australian environmental markets (carbon, water, biodiversity, plastics) with a potential for global expansion. Ontario Teachers' first invested in GreenCollar in 2022, and in 2023 made an additional investment to acquire a significant majority stake in the business.

What they do: GreenCollar works with landholders – from farmers and ranchers to Indigenous communities – to implement land-management projects that provide supplemental income while benefiting the environment through the sale of Australian Carbon Credit Units (ACCUs, a type of carbon credit that is certified by the Australian government) and other environmental market credits. Its large and diverse range of projects are administered under an Australian Government framework and are aimed at regenerating native vegetation, improving soil health and increasing biodiversity. GreenCollar's team works in partnership with landholders throughout the life-cycle of its projects, and its activities include project design, registration, measurement and verification, and marketing of credits. They are also leading the way in developing new solutions such as Reef Credits to address water quality in the Great Barrier Reef, NaturePlus™ Credits to tackle biodiversity loss, and Plastic Credits to actively reduce the impact of single-use plastics on the environment.

Measurable impact: GreenCollar's impact is assessed through its carbon sequestration and abatement attained through sustainable land management, and creation of carbon credits. Through their more than 220 projects across Australia, they have registered 35 million ACCUs, sequestering or abating ~35 million tons of CO_2e, and have also provided an additional source of income for farmers, ranchers and Indigenous groups.

More than

220

projects across Australia,

sequestering or abating

~35

million tons of CO_2e

A project that generated carbon credits by protecting a native forest

How we operate

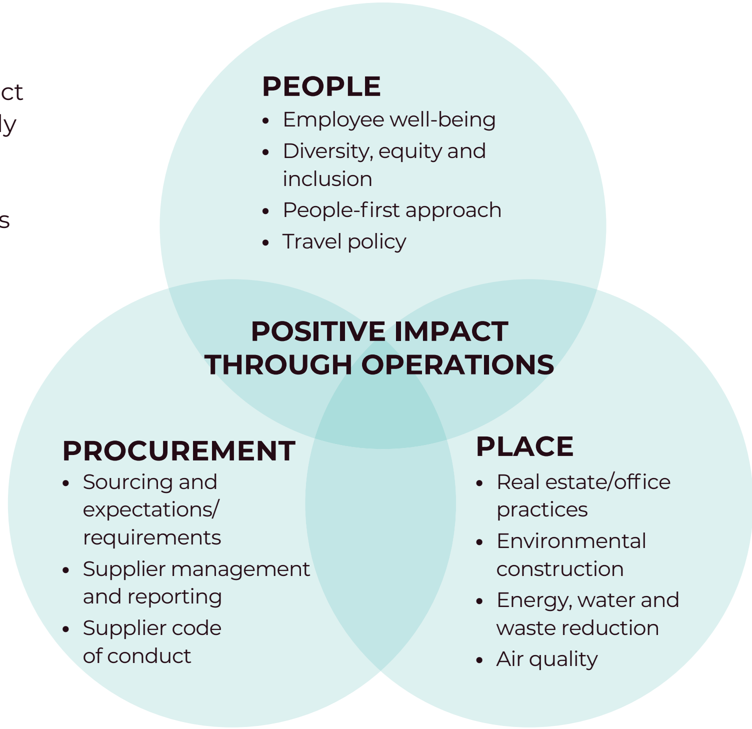
We are continuing to embed environmental and equity considerations across our operations.

One way to demonstrate our commitment to Impact is to walk the talk in our own operations, especially if we are asking our portfolio companies to adopt best-in-class sustainability practices. We believe that being authentic and consistent in our actions and values is essential for building trust and credibility with these and other stakeholders. Therefore, we strive to align our internal policies and processes with our Impact framework and goals, and to communicate our progress and challenges transparently.

We are focused on opportunities to define and expand the positive benefits in three key areas: people, place (real estate) and procurement practices.

In 2023, we completed a maturity assessment of our practices and identified numerous opportunities for additional refinement and measurement to enhance our impact.

Establish strong partnerships, expanding to include Indigenous Link and 100 Women in Finance.



“

We are making meaningful progress in embedding environmental and equity practices in how we operate. Looking ahead, we will continue to find ways to build on our approach such as continuing to enhance our diverse recruitment practices and broadening our well-being strategy to positively shape our culture and the communities where we work. ”

Lisa Morrow, Managing Director, Global Total Rewards

Our approach to our People is to prioritize the whole person and create an inclusive environment that promotes belonging. This year, we continued to invest in our teams' overall well-being and development. Diversity, equity and inclusion (DEI) remained a key area of focus for us, and we made progress on our ongoing ambition to create a culture of belonging and one that enables our team to thrive.

Ontario Teachers' is a leader in supporting well-being. Some key areas of focus include:

Provide industry-leading health and family benefits, which includes support for adoption or surrogacy and for gender affirmation procedures for employees or adult family members.

Enhanced our focus on the mental health and well-being of employees and their families with comprehensive policies and benefits, support services and education.

Introduced a mental health training program for leaders as well as a mental health first-aid program for employees.

To ensure accountability, well-being and DEI strategies are embedded into organizational strategy, culture, practices and leader engagement.

Our long-standing focus on DEI is anchored in our belief that creating a more equitable workplace for all can also create improved performance, better businesses and a better world.

We are making meaningful progress through focused education for our people globally, reducing barriers in the workplace and increasing cultural awareness. Some key areas of progress during the year include:

Recognize that we all play a role in fostering an inclusive workplace and shaping a better future for everyone. This year, 85% of employees globally completed DEI education.

Establish strong partnerships, expanding to include Indigenous Link and 100 Women in Finance.

Continue to have strong engagement through an active DEI Council and five Employee Resource Groups (ERGs).

Women at Ontario Teachers'[1]

55% of our board

50% of our executive team

45% at all levels

1 Figures cover permanent employees only and are based on self identification. Board and executive team are as of the annual report's publication date. The figure for all levels is as of December 31, 2023.

In 2023, our ERGs collaborated on more than 60 events worldwide, including a mental health and well-being session in London, a 2SLGBTQ+ focused education session in Singapore, a series on neurodivergence in the workplace and Diwali celebrations globally as well as educational and celebratory engagements in relation to Lunar New Year, Black History Month, International Women's Day, Earth Day, Pride, World Mental Health Day and National Day for Truth and Reconciliation in Canada.

Our ERGs

Able @Teachers'

All about abilities and supporting the mental and physical well-being of employees.

Green @Teachers'

Igniting conversations about the environment and promoting sustainable operating practices.

Pride @Teachers'

Celebrating, educating and raising awareness in support of the 2SLGBTQ+ community.

Multicultural @Teachers'

Exploring and celebrating cultural identities and what makes each of us unique.

Women @Teachers'

Promoting gender equity and allyship in the workplace.

"We believe in embracing and recognizing our differences – our unique backgrounds, perspectives and experiences. Creating a sense of belonging is critical to our culture and the long-term success of our team. When we feel that we belong, it makes all of us stronger."

Michael Cherny, Director, Diversity, Equity & Inclusion

Diversity at Ontario Teachers'

51.5%

Employees who identify as Black, Indigenous and People of Colour

1.2%

Annual improvement on representation of targeted underrepresented groups, including women, 2SLGBTQ+ identified individuals, Persons with Disabilities, and people who identify as Black, Indigenous and People of Colour

Employees touring 160 Front Street West

In the area of Procurement, we are developing potential strategic sourcing practices that incorporate environmental and equity considerations and are increasingly engaging our suppliers on these themes. For instance, we worked with a vendor to customize the shipping process to avoid single-use chair packaging for items being ordered for our future Toronto workspace at 160 Front Street West (which is scheduled to open in Q2 2024), which significantly reduced waste. This approach was the first time it was used by the vendor and a model they plan to repeat in the future.

With regard to Place, we are focusing on sustainable office practices across our global footprint of offices, with significant progress being made at 160 Front Street West. This new building connects our brand and culture through the physical space. The workspace prioritizes wellness, accessibility and inclusion – with workstations and chairs that support different ergonomic needs, braille on signage and meeting rooms with live transcription features.

It will also help us take an active approach on waste reduction. We will be incorporating a new platform to track waste from catering requests and cafes and will incorporate our learnings to improve future practices. The building will also contribute to a circular economy by prioritizing reusable materials and has achieved LEED[1] and WELL[2] Certifications to ensure sustainability is a foundational element of our space.

Globally, we have introduced a workplace experience across our premises that focuses on flexibility and choice in individual workspaces, collaboration areas, amenities and wellness spaces.

How we give back

Leveraging our people to make an impact in our communities.

Ontario Teachers' is proud to have a long history of employee giving and volunteerism. There were two major milestones on "how we give back" in 2023: the introduction of **OTPP Cares**, a global "always on" giving program offering employees choice in where they donate, and the expansion of our **Make a Mark Days** volunteerism program across all our global offices.

For more information, please see pages 52–53.

1 LEED (Leadership in Energy and Environmental Design) is the world's most widely used green building rating system. LEED certification provides a framework for healthy, highly efficient and cost-saving green buildings, which offer environmental, social and governance benefits.

2 WELL is the premier standard for buildings, interior spaces and communities seeking to implement, validate and measure interventions that support and advance human health and wellness.

View of our new Toronto office at
160 Front Street West (opening in Q2 2024)

Case study

Making a mark in our communities

How we give back plays a critical role in Ontario Teachers' enterprise-wide approach to making a positive impact.

From food drives in Toronto to cleaning up the Thames in London to packing school supplies for underprivileged children in Hong Kong, we organized multiple volunteer activities across global offices to encourage and enable employees to give back to their communities and the causes important to them.

For the second consecutive year, we supported employees worldwide to volunteer in their communities. More than 450 employee volunteers collectively dedicated over 1,000 hours – making an impact that the entire company can take pride in.

450+

volunteers collectively dedicated time to make a positive impact

Offering a "train-the-trainers" session on public speaking and personal finance for a Mumbai charity educating underprivileged girls in India

Cleaning up the coastline in Hong Kong with the World Wildlife Fund

Volunteering at local food banks in Toronto and San Francisco

Stocking shelves and sorting through donated items at a Singapore charity shop that benefits migrant workers

Making a mark through employee donations

Giving our time is important, but we also know non-profits couldn't do their essential work without funding to support them. Ontario Teachers' employees have supported community causes through an annual giving campaign for over 30 years.

To deepen our community impact, we introduced OTPP Cares, an online, always-on, global giving platform powered by Benevity, for employees to direct personal donations to the charities of their choice. The 2023 annual fundraiser saw employees worldwide raise C$701,000 via the online platform, with an impressive 65% of employees participating – over double the industry benchmark. In doing so, employees supported 419 causes in 20 countries, extending the breadth and diversity of giving through each donation.

Clearing litter and testing water quality in Toronto

Toronto volunteers and A Greener Future – an environmental non-profit – cleaned up Marie Curtis Park. The group picked up over 19,600 pieces of plastic pellets and litter and tested the water quality of the community park (see the top image on the right).

Helping newcomers to Toronto prepare for life in Canada

Immigrants contribute significantly to our economy and workforce, and the Greater Toronto Area receives the highest number of newcomers in Canada. Volunteers in our Toronto office partnered with ACCES Employment to host a holistic job readiness workshop (see the bottom image on the right).

> *The majority of our global team donated to our first campaign – a great reflection of our shared commitment to making a mark at a time when donations are sorely needed.*

Claire Holland, Managing Director, Marketing & Communications

$700K+

raised by employees for local causes around the world[1]

419

causes supported across

20 countries

1 The giving campaign is employee-led and does not include corporate funds.

Delivering outstanding service to our members

We strive to deliver outstanding service to our members by understanding their needs at every stage of their pension journey. Whether our members reach us online or by phone, our digital-first service model enables us to meet them where they are. We listen to member feedback and leverage data-driven insights to develop and expand our digital capabilities.

Our members receive seamless, personalized service across all channels. As more members feel empowered to self-serve, our highly trained Pension Benefits Specialists can focus on helping members with complex issues. As we continue to enhance member experience and adopt new technologies, our commitment to supporting our members inspires everything we do.

Achieving service excellence

We are proud that our dedication to service excellence has earned us another year of high service quality scores. As our primary performance measurement, the Quality Service Index (QSI) evaluates the quality of our member experience, service and communications.

QSI collects an independent survey from a sample of members throughout the year. In 2023, 93% of members were satisfied with our service, and 44% gave us a perfect score.

	2023	2022	2021
QSI percentage of satisfied members	**93%**	93%	93%

2023 highlights

We paid $7.7 billion in pension benefits in 2023 to retired Ontario teachers and their beneficiaries, delivering on our mission of helping provide retirement security for our members.

We are helping to level the playing field for Indigenous employers. To become better partners, we are supporting our Indigenous employers and members to gain a deeper understanding of the plan's benefits and administration. As a result, we are building relationships that will help ensure that all our members and employers receive the service they need.

Developing these relationships also enabled us to provide insights to our sponsors who expanded eligibility for the 95-day re-employment rule to designated organizations that operate on a reserve. We hope the small changes we have made so far and hope to make in the future will positively impact our Indigenous employers and members, as we are committed to delivering outstanding service to all.

We launched two-step verification to provide an extra layer of security for our members' accounts. We also continue to actively monitor the latest tools and technology that will help us counter evolving cyber security threats. By prioritizing cybersecurity and the protection of our members' data, we help them confidently self-serve in their online accounts.

We expanded digital self-service capabilities for survivors receiving a pension. Our improved online experience allows survivors to log in easily to complete transactions and view important documents. With access to more tailored features, survivors receive a high standard of service that aligns with our digital-first service model.

Our email campaigns continue to educate and empower members to make timely, informed decisions. We deliver engaging, easy-to-understand information relevant to their key life events. We optimize our emails by testing and refining send times, subject lines, content and more. Our personalized messaging contributed to 31% of member logins, which demonstrates that we are reaching members where they are at the right time.

We are in discussions with Ontario Teachers' Insurance Plan (OTIP) to streamline data reporting for participating employers. As we have some shared membership with OTIP, a partnership could offer a unified data source that improves efficiency and reduces effort for school board employers.

"From time to time, I access the OTPP website to check on payments and to keep up to date on developments. The website is very well organized and if I have any questions or concerns, they are answered very efficiently. The process of becoming a member of the OTPP when I retired in 2021 went very smoothly. The paperwork and documents needed were very well explained to me."

Maria Braccio, retired member

"I visited the website, which has easy self-serve tools to check on the status of my pension and run calculations for various scenarios. I appreciate that I can access this information myself without needing to bother anyone."

Erica Armstrong, working member


MEMBER PROFILE

184,000
Working members

156,000
Pensioners

340,000
Total number of working members and pensioners

7,600+
New members in 2023

5,000+
New retirees in 2023

1.2 to 1
Ratio of working members to pensioners

59
Average retirement age

74
Average age of pensioners

$50,000
Average starting pension

44
Average age of working members

148
Pensioners over age 100

42
Pensions in pay for more than 50 years

26
Typical years of credit at retirement

84%
Members who self-served in their online account instead of reaching for our contact centre

32
Average years retired members expected to collect a pension

Some of our employees celebrating at the Pride Toronto parade

Investing in our people

Our people are our most valuable asset in shaping a better future for the teachers we serve, the businesses we back and the world we live in.

WHO WE ARE

Purpose-driven, growing global investor

We're a purpose-driven, global investor with growth ambitions built on a successful track record.

HOW WE WORK

Authentic, inclusive, dynamic culture

We have an authentic, inclusive, dynamic culture where people can be themselves, make an impact and learn.

WHAT WE OFFER

We invest in you

We put our people first through investments in well-being, development and compelling total rewards.

At Ontario Teachers', we take a people-first approach that encapsulates everything from culture to career development to mental health and well-being. We work to cultivate a workplace that empowers, develops and promotes belonging.

Our people

Our strength and long-term success are rooted in our team. We view our ability to partner with employees to create a culture of experimentation, entrepreneurship and empowerment as crucial to enabling a best-in-class and high-performing workforce. In 2023, we continued to advance our People & Culture strategy. Our areas of strategic focus for the year were: developing talent with a focus on leadership capabilities, embracing employee well-being and building for the future. We supported and made progress against these focus areas in meaningful ways.

Developing talent

Learning is a continuous journey for all of us. We have best-in-class leadership programs delivered in-house through our Teachers' Academy, with a focus on development for executives and people leaders, and personal development for all colleagues. Across our leadership development programs in 2023, 90% of participants rated them highly favourably.

Embracing employee well-being

As an organization, we recognize the importance of balance. When it comes to how we work, we've introduced a hybrid work model to support and recognize the individual needs of each of our team members. We also offer employees the option to "work from anywhere" via our Flexible Travel Program. In 2023, 240 employee requests were made under the program to work from 58 different countries.

In Q2 2024, our Toronto-based teams will be moving to a new office space in the downtown financial district. The building was designed with wellness and sustainability in mind. We've integrated flexibility and choice to accommodate varied workstyles and are providing a technology experience to link it together and ensure our teams can seamlessly collaborate. Our office space also prioritizes accessibility and inclusion, will contribute to a circular economy by prioritizing reusable materials, and has achieved LEED and WELL certifications. Globally, we're also making investments in our regional offices to, similarly, focus on the sustainability practices of our spaces and enhance employee experiences, productivity and overall satisfaction.

Building for the future

To continually develop our leaders and map out upskilling for future leaders, we enhanced our talent review process to include future skills and capabilities aligned to our overall business strategy. Also, because we operate in a challenging and tight labour market for top talent, we re-designed and implemented a new sourcing strategy for both executives and future talent. We also recognize that having diverse representation across our organization will lead to better decisions and outcomes and are committed to continually increasing representation from underrepresented groups.

Our performance

ONTARIO TEACHERS' PENSION PLAN

Stable long-term total-fund returns

Ontario Teachers' investment program is tailored to generate strong and steady risk-adjusted returns to pay members' pensions over generations, while also having a positive impact on the people, places and communities our investments touch. Since Ontario Teachers' inception in 1990, almost 80% of the plan's pension funding has come from investment returns, with the remainder coming from member and government/designated employer contributions. Net assets[1] have grown from $20.1 billion in 1990 to $247.5 billion at the end of 2023.

Ontario Teachers' is an active global investor with investments in more than 50 countries. We're agile, innovative investors who harness our scale, network and in-house experts to help the companies we invest in grow and thrive. Our investment departments invest across six different asset classes that provide diversification and volatility management and help us to focus on both total-fund net returns and generating value above our performance benchmarks over the long term. To maintain our fully funded status, we aim to achieve an average real return of 4% over the long term.[2]

Ontario Teachers' investment portfolio earned a 1.9% total-fund net return in 2023, compared to the fund's benchmark return of 8.7%. This resulted in a return below the benchmark of 6.8% or $15.8 billion in negative value add.

2023 results highlights

$247.5B
Net assets

1.9%
Total-fund net return

$5.5B
Net investment income

6.8%
Return below benchmark

7.6%
10-year total-fund net return (annualized)

9.3%
Total-fund net return since inception (annualized)

1 Net assets include investment assets less investment liabilities (net investments), plus the receivables from the Province of Ontario, and other assets less other liabilities.

2 A real rate of return is the net return, or annual percentage of profit earned on an investment, adjusted for inflation.

2023 performance

The total-fund net return is calculated after deducting transaction costs, management fees and investment administrative costs, and is reported in Canadian dollars for four periods: one, five and 10 years, and since the current investment program began in 1990. Asset class and local returns are before deducting investment administrative costs. Local returns are also before the translation to Canadian currency.

Ontario Teachers' produced a one-year total-fund net return of 1.9%, compared to 4.0% in 2022. Public equities and credit delivered strong returns of 20.0% and 9.1%, respectively, for the fund in 2023. These gains were partially offset by negative returns for the year in infrastructure and real estate. They also had a limited impact on the total-fund net return because of the proportionally lower allocation to these two asset classes versus other asset classes which comprised a larger proportion of the asset mix. See pages 66–78 for more details on individual asset-class performance.

The fund continued to deliver strong returns over longer time periods, which is essential for retaining a fully funded status. Ontario Teachers' had an annualized five-year net return of 7.2% and an annualized 10-year net return of 7.6%. Its annualized net return since inception was 9.3%.

Ontario Teachers' compares its performance to a Canadian dollar-denominated composite benchmark,[1] which is calculated by aggregating results from each of the asset-class benchmarks. Benchmarking is important because it allows stakeholders to evaluate the effectiveness of our strategies and activities relative to the risks taken. Ontario Teachers' seeks to outperform its respective benchmark rates of return over the long term on a total-fund and asset-class basis. This outperformance is described as value-add.

This year, Ontario Teachers' underperformed its benchmark return of 8.7% by 6.8%, or $15.8 billion in negative value add. This compares to a total-fund net return of 4.0% in 2022, which beat the benchmark by 1.8% or $4.4 billion in value add.

The underperformance in 2023 compared to the benchmark was driven by several factors, including a relative underexposure in our equity asset class to listed equities (particularly U.S.-based large-cap technology stocks known as the "Magnificent Seven"[2]) and valuation adjustments in our infrastructure and real estate portfolios to reflect several asset-specific events and a higher interest rate environment.

1 A complete list of benchmarks is available on our website.

2 The "Magnificent Seven" refers to a group of US-based mega-cap technology stocks focused largely on secular technology growth trends such as artificial intelligence, cloud computing, online gaming, and cutting-edge hardware and software. They are Apple Inc., Microsoft Corp., Amazon.com Inc., Meta Platforms Inc., Alphabet Inc., Tesla Inc. and NVIDIA Corp. This group of stocks had a market capitalization weighted return of 76.2% in 2023.

TOTAL FUND INVESTMENT PERFORMANCE
(percent)

	2023	2022[3]	5-Year	10-Year	Since Inception
Total-fund net return	**1.9%**	4.0%	7.2%	7.6%	9.3%
Benchmark return	**8.7%**	2.3%	8.5%	7.5%	7.8%
Return above (below) benchmark	**(6.8%)**	1.8%	(1.3%)	0.1%	1.5%

3 Benchmark return and return above benchmark from 2022 do not add up to 4.0% due to rounding.

2023 performance by asset class

Below is a table showing performance by asset class versus the benchmark for 2023 and for the last five years.

NET INVESTMENTS AND RATES OF RETURN BY ASSET CLASS
As at December 31

	Net Investments ($ billions)	Rates of Return (percent)			
		1-Year		5-Year	
	2023	Actual	Benchmark	Actual	Benchmark
Equity	**$91.4**	7.4%	17.1%	10.7%	10.8%
Public equity	**25.4**	20.0	20.3	8.7	9.7
Private equity	**58.5**	3.6	16.3	12.0	11.6
Venture growth[1]	**7.5**	(0.7)	12.8	–	–
Fixed income	**95.8**	1.2	1.2	3.2	3.2
Bonds	**85.9**	0.6	0.6	2.5	2.5
Real-rate products	**9.9**	7.3	7.3	6.6	6.6
Inflation sensitive	**45.4**	(1.0)	(0.2)	5.7	6.0
Commodities	**22.2**	(0.5)	(0.5)	7.6	7.7
Natural resources	**11.4**	0.2	3.3	8.6	9.5
Inflation hedge	**11.8**	(3.0)	(3.0)	1.0	1.0
Real assets	**67.4**	(4.1)	5.3	1.4	5.2
Real estate	**28.2**	(5.9)	2.0	(3.1)	3.9
Infrastructure	**39.2**	(2.8)	7.6	5.9	6.1
Credit	**38.6**	9.1	9.6	5.2	4.0
Absolute return strategies	**19.5**	–	–	–	–
Funding and other[2]	**(114.2)**	–	–	–	–
Total-fund net return	**243.9**	1.9	8.7	7.2	8.5

1 Effective January 1, 2023, investments formerly included in the Innovation asset class are now included in Equity and Credit. The total fund net return for prior periods includes the results from the former Innovation asset class. Prior period returns for Equity and Credit have not been restated.

2 Includes funding for investments (term debt, bond repurchase agreements, implied funding from derivatives, unsecured funding and liquidity reserves) and overlay strategies that manage the foreign exchange risk for the total fund.

Impact of currency on performance

Changes in foreign exchange rates used to measure our non-Canadian dollar investments can have a substantial impact on short-term investment performance expressed in Canadian dollars. We manage currency from a total-fund perspective and consider currency risk as part of our overall portfolio construction.

In certain circumstances and when cost-effective to do so, we will hedge a portion of our currency exposure to reduce the foreign exchange risk that comes from investing globally. Currency hedging allows us to lessen the impact of major fluctuations in foreign exchange markets on our performance from year to year.

In 2023, the fund experienced a foreign currency loss of $2.2 billion as assets denominated in foreign currencies depreciated in value when converted back into Canadian dollars. This corresponds with a negative impact from currency on our total-fund net return of 0.8%.

This loss was primarily driven by the depreciation of the U.S. dollar compared to the Canadian dollar (making our U.S. dollar denominated assets less valuable when converted back into our home currency). The fund's net exposure to the U.S. dollar is significantly larger than any other foreign currency.

CURRENCY NET EXPOSURE[1]

As at December 31 ($ billions)

	2023	2022
United States Dollar	**73.5**	67.6
Euro	**9.1**	9.9
British Pound Sterling	**5.7**	6.6
Mexican Peso	**5.6**	4.7
Chinese Renminbi	**3.9**	4.8
Brazilian Real	**3.5**	3.0
Australian Dollar	**3.3**	3.0
Indian Rupee	**2.9**	2.1
South Korean Won	**2.6**	1.7
Chilean Peso	**2.4**	2.8
Other	**9.2**	8.3
	121.7	114.5

Volatility management

The plan's multi-generational liabilities, the demographic profile of our membership and the ratio of working teachers to pensioners in the plan (1.2:1) have a significant influence on our investment strategy. Given these factors, we construct the portfolio to be resilient across different markets and economic outcomes and generally attempt to avoid large swings in returns up or down from one year to the next.

At Ontario Teachers', considerable attention is paid to managing volatility alongside our other growth metrics like value add (returns compared to our benchmark) and the total-fund net return. Volatility is a common way of measuring risk or uncertainty. It is used to calculate a Sharpe ratio – excess return divided by volatility, or in other words, return per unit of risk. We manage against downswings in the portfolio by diversifying across numerous asset classes and having a lower allocation to equities than peer funds.

CEM Benchmarking, a market leader in analyzing performance and cost data, measures risk-adjusted returns of 289 pension plans from all over the world. CEM assesses Ontario Teachers' to be a top performer when it comes to risk-adjusted returns over a 10-year period, placing us in the 100th percentile compared to a peer group of 18 Canadian and global plans suggested by CEM as similar to Ontario Teachers' in size.[2] Ontario Teachers' has a Sharpe ratio of 2.01 over the past 10 years (ending December 31, 2022) versus our peer group median of 0.80 over the same period.[3] A higher Sharpe ratio signifies higher returns with lower volatility when comparing portfolios.

RISK ADJUSTED RETURNS

	Ontario Teachers'	Peer group median
10-year total-fund net return	**8.40%**	7.66%
10-year Sharpe ratio	**2.01**	0.80
Percentile	**100%**	

1 Includes foreign currency exposure from investments, net receivable from brokers and investment-related cash. Please see NOTE 2g to the consolidated financial statements for more information on market risk management including foreign currency risk.

2 CEM Benchmarking utilizes the Sharpe ratio to assess risk-adjusted return, which is calculated using the 10-year net return, less the 10-year risk-free rate, divided by the standard deviation of excess return. The Sharpe ratio is a commonly used method of comparing the return of an investment with its associated risk.

3 CEM Benchmarking study is dated December 31, 2022. This is necessary to include comparable data for all funds from 2022, the last year where all return data is available given funds report with different year-end dates.

Review by asset class

The board approves ranges for allocations to various asset classes. Management determines exposure within the board-approved bands, based on the underlying risk factors in each asset class, expected returns, and the risk balance and other limits in the total-fund portfolio.

There are six asset classes:

Equity

Public equity, private equity and venture growth aim to deliver long-term investment growth and value-added performance

Fixed income

Provides security and steady income, hedges against interest rate risks inherent in the plan's liabilities and stabilizes total returns

Inflation sensitive

Contributes to both diversification and protection against unexpectedly high inflation

Real assets

Real estate and infrastructure investments provide stable inflation-linked cash flows and capital preservation

Credit

Corporate and emerging market debt investments that capture a set of risk premiums

Absolute return strategies

Internal and external strategies that seek to capitalize on market inefficiencies and have a low correlation to markets

Equity

This asset class comprises public equity, private equity and venture growth. Investment activities are carried out by the Capital Markets, Equities or Teachers' Venture Growth investment departments.

Global equity markets rallied back in 2023 after broadly negative returns in 2022. Most global indices produced positive returns for the year. For example, the U.S. S&P 500 index was up 26.3%, while the S&P/TSX 60 was up 12.1%.

The Equity asset class delivered a total return of 7.4% (9.5% gain in local currency terms), compared to its benchmark, which had a gain of 17.1% (local currency benchmark had a gain of 19.4%). The Equity asset class saw a jump in performance year-over-year compared to flat returns in 2022, buoyed by particularly strong returns in the public equity portfolio. Despite positive returns for the year, the Equity asset class underperformed its benchmark by 9.7%, primarily due to a lower overall allocation to public equities and underexposure to the "Magnificent Seven," which rallied in 2023. This underperformance relative to the benchmark is expected in years where public markets boom, as private assets (which make up the majority of our equity allocation) tend to deliver steadier returns with less volatility from year-to-year. The five-year annualized rate of return for this asset class is 10.7%, compared to a benchmark return of 10.8%.

Net investments in the Equity asset class totaled $91.4 billion at the end of 2023, compared to $87.6 billion a year earlier.

Returns for public equity, private equity and venture growth are separated and described below.

Public equity

The public equity portfolio in 2023 produced a gain of 20.0% (local currency gain of 23.2%), below its benchmark gain of 20.3% (23.6% gain by the local currency benchmark). The five-year annualized rate of return for public equity is 8.7%, compared to a benchmark of 9.7%.

The strong performance in public equities in 2023 was driven by sound execution across investment groups investing in listed securities. The slight underperformance relative to the benchmark is due primarily to an underweight exposure to the "Magnificent Seven" that significantly outperformed the broad public markets in 2023.

The public equity portfolio was valued at $25.4 billion at the end of 2023, compared to $21.9 billion at the end of 2022. This was primarily driven by strong returns in the public equity asset class in 2023, which increased the value of the portfolio.

Public equity portfolio highlights

As at December 31, 2023
(based on total assets)

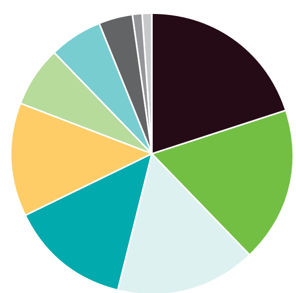
$25.4 billion
Net investments

20.0%
Return

23.2%
Local return

20.3%
Benchmark

23.6%
Local return benchmark



Industrials	**20%**
Financials	**18%**
Information Technology	**16%**
Consumer Discretionary	**14%**
Healthcare	**13%**
Communications Services	**7%**
Consumer Staples	**6%**
Materials	**4%**
Energy	**1%**
Utilities	**1%**

Private equity

The Private Capital team invests directly in private companies, either on its own or with partners, and indirectly through private equity funds. It supports its portfolio companies by assisting in long-term strategic planning, creating and encouraging high-performing management teams and boards, and using the team's expertise and extensive network to create long-term value.

The private equity portfolio produced a return of 3.6% (local currency return of 5.4%), trailing its benchmark gain of 16.3% (18.3% gain by the local currency benchmark). This underperformance versus the benchmark was driven primarily by strong performance from the benchmark, which includes global, regional and country-specific public equity indices, as well as CPI-plus benchmarks. Our strongest performing sub-sectors for 2023 included digital & IT services and financial services. The five-year annualized rate of return is 12.0%, compared to a benchmark of 11.6%.

The portfolio was valued at $58.5 billion at the end of 2023, compared to $58.3 billion at the end of 2022. Private equity assets under management were relatively flat year-over-year. The largest acquisitions for the year included group.one and bolt-on transactions by portfolio companies APCO, BroadStreet Partners and Mitratech. New acquisitions were offset by full or partial dispositions of Inmarsat, The AZEK Company, SeaCube Container Leasing and Camelot U.K., among others.

Private equity portfolio highlights

As at December 31, 2023
(based on total assets)

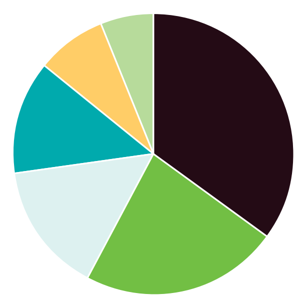
$58.5 billion
Net investments

3.6%
Return

5.4%
Local return

16.3%
Benchmark

18.3%
Local return benchmark



Diversified Industrials & Services	**35%**
Financials	**23%**
Software	**15%**
Healthcare	**13%**
Sustainability and Energy Transition	**8%**
Digital & IT Services	**6%**

Case study

Our rewarding decade-long partnership with a leading North American snack maker draws to a close

In 2023, we signed an agreement to sell our majority stake in Shearer's Foods, capping off a decade-long partnership that saw Shearer's evolve into one of North America's largest manufacturers of salty snacks, cookies and crackers.

When Ontario Teachers' first invested in Shearer's in 2012, the Ohio-based company had five plants in the United States and was focused on salty snacks. The market in which it operated was fragmented, and consumer demand for snacks was growing at a faster pace than the overall grocery market. Ontario Teachers' and Shearer's together saw an opportunity to build a scalable platform that could become a leading player in the snack food category, offering both private label and contract manufacturing services. That outlook led us to increase our ownership in Shearer's to a significant majority stake in 2015.

Under Ontario Teachers' ownership, Shearer's expanded from

5 to 17

manufacturing plants

Shearer's is North America's

largest

supplier of private brand salty snacks

With Ontario Teachers' support, Shearer's brought in experienced management to evaluate acquisition opportunities and expand its relationships with leading brands and major retailers. The company widened its product offering by entering into two adjacent snacking categories – cookies and crackers – and grew to operate 17 plants in the U.S. and Canada.

Under our ownership, Shearer's also made significant investments in automation in order to increase capacity, drive efficiencies and lower costs. What's more, these investments enabled it to improve safety and working conditions and reduce employee turnover at a time when its workforce was increasing. By the end of 2023, Shearer's employed about 5,000 people.

With Shearer's well positioned for future growth, we reached an agreement to sell the company to Clayton Dubilier & Rice, a leading investment firm.

Founded in the early

1900s,

Shearer's evolved from a single grocery store to a snack-manufacturing

giant

> *Over the past decade, we have been proud to partner with Shearer's management team as it established itself as a market leader in North America for private label and contract manufactured salty snacks, cookies and crackers. Shearer's has achieved this position by being a strong partner to brands and retailers and consistently delivering high-quality and innovative products. We wish Shearer's and its new owners continued success.*

Harj Shoan, Senior Managing Director,
Private Capital at Ontario Teachers'

Venture growth

The venture growth portfolio comprises investments made by Teachers' Venture Growth (TVG), including investments made directly in companies as well as in venture growth funds. TVG focuses on building exposures to young companies that are using cutting edge technology and innovative business models to shape a better future.

Venture growth had a one-year loss of 0.7%, or a 1.5% gain in local currencies. The small positive local return became a negative return when assets were converted back into Canadian dollars. These results compare to a benchmark return of 12.8% for 2023 (local benchmark return of 15.2%). Venture growth introduced a public markets-based benchmark in 2023, and the relative underperformance is due to rallies in public markets described previously. The five-year annualized rate of return figures for venture growth are not available as 2023 was only the fourth full year for the asset class.

The portfolio was valued at $7.5 billion at the end of 2023, compared to $7.3 billion at the end of 2022. The slight increase in assets is due to new direct and fund investments executed during the year, offset by valuation adjustments to the direct and fund investments in the portfolio. New acquisitions in 2023 included Databricks and Xpressbees.

Venture growth portfolio highlights

As at December 31, 2023
(based on total assets)

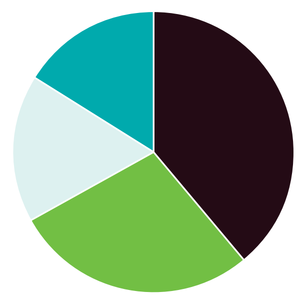
$7.5 billion
Net investments

(0.7)%
Return

1.5%
Local return

12.8%
Benchmark

15.2%
Local return benchmark



Direct Investments – North America	**39%**
Funds	**28%**
Direct Investments – Europe, Middle East and Africa	**17%**
Direct Investments – Asia-Pacific	**16%**

Fixed income

Ontario Teachers' uses fixed income investments to provide diversification and steady income. We own a diversified portfolio of developed market government bonds, provincial bonds and real-return bonds. Real-return bonds, as part of our Liability Driven Investing (LDI) program, are used to mitigate the risk to our liabilities from changes in the real discount rate, helping us to minimize funding ratio volatility. We invest in inflation-linked debt issued primarily by the Canadian federal government and other high-quality Canadian issuers.

The fixed income portfolio produced a marginal gain of 1.2% (local currency gain of 2.5%). The modest return on fixed income assets can be attributed to yield volatility throughout the year. The five-year annualized rate of return for this asset class was 3.2%.

The portfolio was valued at $95.8 billion at the end of 2023, compared to $86.0 billion at the end of 2022. Allocation to this asset class was increased to reflect its growing attractiveness due to higher interest rates.

Fixed income portfolio highlights

As at December 31, 2023
(based on total assets)

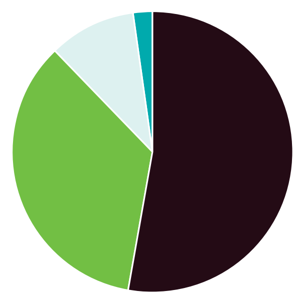
$95.8 billion
Net investments

1.2%
Return

2.5%
Local return

1.2%
Benchmark

2.5%
Local return benchmark



Foreign Developed Market Sovereign Debt	**53%**
Canadian Government	**35%**
Real-Rate Products	**10%**
Provincial Bonds	**2%**

Inflation sensitive

The inflation sensitive asset class includes natural resources (energy, metals, timberlands, agriculture, aquaculture and natural climate solutions), gold, commodities and inflation hedges. These types of assets are grouped together due to the positive relationship they tend to exhibit with inflation fluctuations: they can provide stable risk-adjusted returns, diversification and protection against unexpectedly high inflation.

The total return on inflation sensitive assets for 2023 was a loss of 1.0% (or a local currency gain of 1.3%), which was below the benchmark return of negative 0.2% (local currency benchmark return of 2.4%). Strong returns in gold during 2023 were offset by weaker performance from other commodities in the portfolio. In the natural resources group, positive performance from timberlands, agriculture and aquaculture were largely offset by mining and natural climate solutions assets. The five-year annualized return of 5.7% trails the benchmark return of 6.0%.

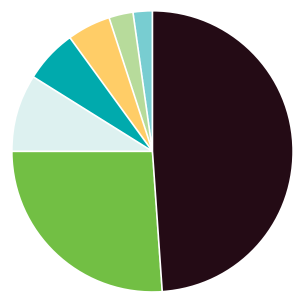
The portfolio was valued at $45.4 billion at the end of 2023, compared to $47.8 billion at the end of 2022. Major acquisitions during the year included acquiring an increased stake in GreenCollar, Montague, Mitolo Family Farms and Sweetwater Royalties.

Inflation sensitive portfolio highlights

As at December 31, 2023
(based on total assets)

$45.4 billion
Net investments

(1.0%) Return	**1.3%** Local return
(0.2%) Benchmark	**2.4%** Local return benchmark



Commodities	**49%**
Inflation Hedge	**26%**
Natural Resources:	
Oil and Gas	**9%**
Timberland	**6%**
Agriculture and Aquaculture	**5%**
Mining	**3%**
Natural Climate Solutions	**2%**

Real assets

Real assets include infrastructure and real estate investments. Strategically, these assets provide returns that are often linked to inflation and therefore provide a partial hedge against the cost of paying inflation-protected pensions.

At December 31, 2023, the total value of Ontario Teachers' real assets was $67.4 billion, compared to $67.9 billion at year-end 2022. Real asset investment returns for 2023 were a loss of 4.1% (local loss of 4.9%), compared to a benchmark return of 5.3% (local benchmark return of 4.4%). With the higher interest rate environment, discount rates/real estate cap rates were broadly adjusted upwards for real assets, generally having a negative impact on the value of both infrastructure and real estate investments. Additionally, several assets experienced unexpected asset-specific events that had a negative effect on the valuation of the infrastructure and real estate portfolio and drove the net loss and underperformance of the real assets asset class against the benchmark.

Returns for our infrastructure and real estate assets are separated and described below.

Infrastructure

Ontario Teachers' seeks to build an infrastructure portfolio that will steadily increase in value, provide predictable cash flow and offer partial protection against inflation. Our infrastructure assets include investments in toll roads, airports, digital infrastructure, container terminals, power generation, electricity distribution and transmission, gas distribution and transmission, and water distribution and wastewater plants. They are distributed globally across five continents.

Infrastructure assets delivered a one-year loss of 2.8% (or a 3.7% loss in local currency), underperforming the benchmark return of 7.6% (local currency benchmark return of 6.5%). Adjustments to discount rates due to higher interest rates and several asset-specific events within the infrastructure portfolio drove the net loss and underperformance of the asset class against the benchmark. The five-year annualized rate of return is 5.9%, underperforming the benchmark of 6.1%.

The portfolio was valued at $39.2 billion at the end of 2023, compared to $39.8 billion at the end of 2022. Strong regional returns across Latin America and Asia-Pacific were largely offset this year by one-time events impacting several assets in EMEA. Acquisitions for the year included Diamond Communications and an add-on investment in Connexa.

Infrastructure portfolio highlights

As at December 31, 2023
(based on total assets)

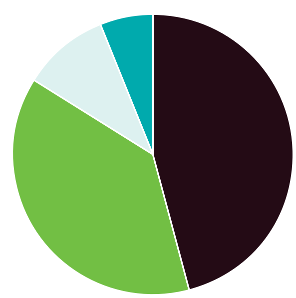
$39.2 billion
Net investments

(2.8)%
Return

(3.7%)
Local return

7.6%
Benchmark

6.5%
Local return benchmark



Energy Infrastructure	**46%**
Transportation and Logistics	**38%**
Water and Wastewater Treatment	**10%**
Other Infrastructure	**6%**

Case study

Shaping a more sustainable future with a leading Canadian district energy provider

2023 was a pivotal year for Enwave Energy, a provider of district energy services in which we invested in 2021. The company broke ground on a state-of-the-art heat-pump facility in Toronto that will enable it to produce and distribute low-carbon heat to its customers. The project will decarbonize the equivalent of about 10 million square feet of commercial towers in Canada's largest city.

The expansion is just the latest milestone in Enwave's history as an innovative provider of district energy solutions. The company, which began as a city-owned utility providing steam heat to buildings in Toronto, has over the years grown into a district energy powerhouse operating a variety of projects in five Canadian cities in Ontario and Prince Edward Island.

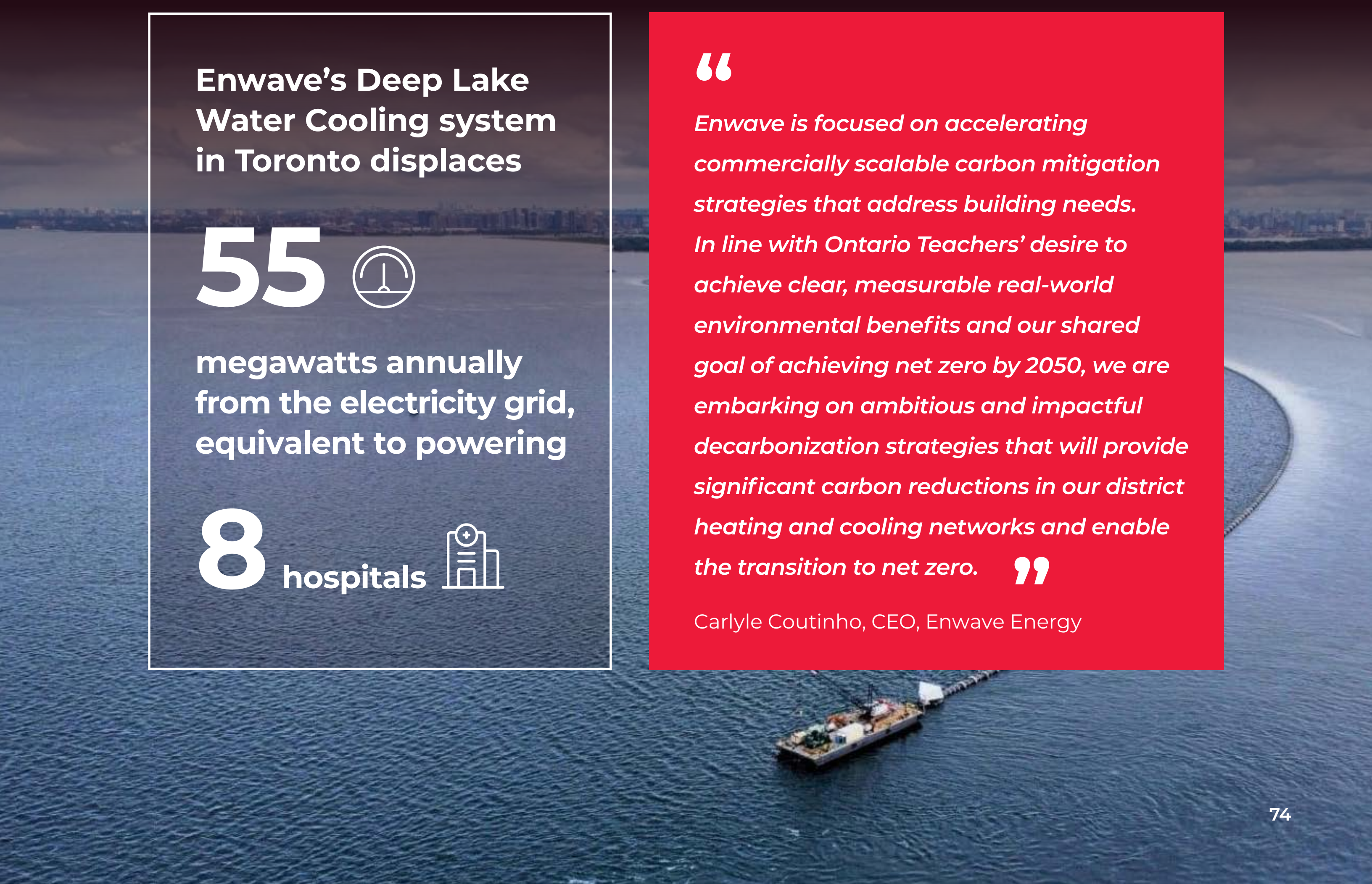
Enwave's Deep Lake Water Cooling system in Toronto displaces

55

megawatts annually from the electricity grid, equivalent to powering

8 hospitals

> *"Enwave is focused on accelerating commercially scalable carbon mitigation strategies that address building needs. In line with Ontario Teachers' desire to achieve clear, measurable real-world environmental benefits and our shared goal of achieving net zero by 2050, we are embarking on ambitious and impactful decarbonization strategies that will provide significant carbon reductions in our district heating and cooling networks and enable the transition to net zero."*
>
> Carlyle Coutinho, CEO, Enwave Energy



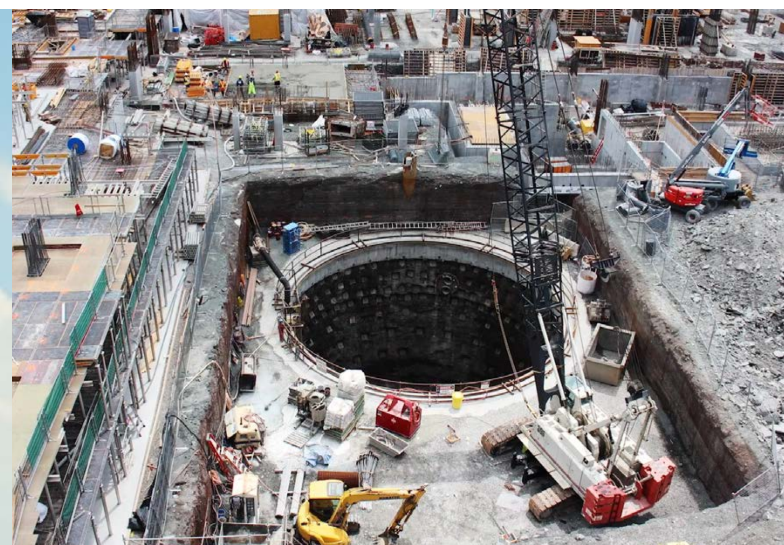
Enwave enables buildings to connect to a central plant that harnesses a local energy source to provide heating and cooling. Enwave's energy solutions usually use less fuel. They also eliminate the need for buildings to house separate heating and cooling equipment, meaning their owners can redeploy valuable space for other purposes. The overall result: more efficient, sustainable and resilient energy systems that help building operators and cities advance their decarbonization goals.

One of Enwave's best-known projects is its Deep Lake Water cooling system, which taps into the cold waters of Lake Ontario to cool more than 100 buildings in Toronto. It's the largest of its kind in the world. Elsewhere in the city, Enwave is working on a massive energy storage facility beneath a new mixed-use real estate development. Further afield, in Charlottetown, PEI, the company is converting municipal waste to energy, reducing both emissions and landfilling volumes.

Investing in Enwave gave Ontario Teachers' the opportunity to own a world-class infrastructure asset in our home base of Canada. The company's long-term contracts help us generate steady returns for our members. Our real estate subsidiary, Cadillac Fairview, is among its biggest customers. What's more, we have a shared goal in advancing the global energy transition by helping buildings decarbonize. Ontario Teachers' is committed to supporting Enwave's plans to replicate and scale its district energy solutions.

Enwave currently operates in five cities in Canada:

Toronto, London, Markham and Windsor in Ontario, and Charlottetown in Prince Edward Island



Real estate

Ontario Teachers' seeks to invest in high-quality, well-located real estate assets diversified across geographies and sectors. In June 2023, Ontario Teachers' announced an evolution to its real estate investment model (see the next page for more detail). The new operating model is effective January 1, 2024.

In 2023, real estate assets delivered a one-year net loss of 5.9% (local currency loss of 6.5%), compared to a benchmark return of 2.0% (local currency benchmark return of 1.4%). The net loss for the year was primarily due to valuation adjustments in both the Canadian and international portfolios resulting primarily from the negative impact on valuation metrics driven by higher interest rates. Relative to our benchmark, the underperformance was largely attributable to the international portfolio due to the challenging global office market and the U.S. life sciences development assets which have been impacted by shifts in market conditions in addition to higher interest rates. The five-year annualized rate of return for the real estate portfolio was a loss of 3.1%, compared to the five-year average benchmark return of 3.9%.

The portfolio was valued at $28.2 billion at year-end 2023, up from $28.1 billion at the end of 2022. The increase in net real estate assets resulted primarily from new investment activity in international markets and development capital in Canada, partially offset by valuation adjustments.

In line with our focus on scaling and diversifying our global real estate portfolio, in 2023 we increased portfolio weightings in international markets to 31% from 27% in 2022 and further diversified the portfolio sector mix with new investments primarily in residential and industrial. This includes increasing our ownership interest in Willow Bridge, a U.S. residential property company. We also made a number of investments to expand the industrial portfolio in Europe and Australia. Within the Canadian portfolio, our real estate subsidiary Cadillac Fairview continued to build on its densification and diversification strategy through its residential and industrial programs. This includes commencing the construction of 510 units at 750 Peel Street in Montreal which marks the second project of Cadillac Fairview's residential rental program.

Real estate portfolio highlights

As at December 31, 2023
(based on total assets)

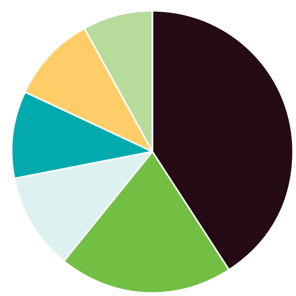
$28.2 billion
Net investments

(5.9)%
Return

(6.5)%
Local return

2.0%
Benchmark

1.4%
Local return benchmark



Canadian Retail	**41%**
Canadian Office	**20%**
Emerging Markets	**11%**
U.S. Investments	**10%**
U.K. Investments	**10%**
Other	**8%**

Case study

Building a new in-house real estate team

In 2023, Ontario Teachers', along with its real estate subsidiary Cadillac Fairview (CF), announced it will evolve their operating model to further the growth and diversification of its real estate investments. CF will remain a core part of Ontario Teachers' global real estate portfolio.

Under this new model, Ontario Teachers' has established an in-house real estate team which will focus on ways to effectively diversify the portfolio by region, sector and stage, while CF will focus on the growth and diversification of its best-in-class real estate portfolio in Canada. CF and Ontario Teachers' will continue to work as one team to drive increased value. Previously, all real estate efforts were led by CF.

To establish the new in-house team, approximately 50 investment and support professionals officially joined Ontario Teachers' from CF on January 1, 2024. As well, Ontario Teachers' appointed a new Executive Managing Director for Real Estate, Pierre Cherki, to oversee the entire real estate portfolio.

Ontario Teachers' real estate asset class has over

$28B

in net assets

"Real estate will continue to play a role in the construction of Ontario Teachers' investment portfolio. For a long-term investor, real estate can deliver stable cash-flows, while also offering a hedge against inflation. Continuing to strengthen and diversify our real estate portfolio will help ensure we can deliver pension security to members over the long term."

Pierre Cherki, Executive Managing Director, Real Estate, Ontario Teachers'

Credit

This asset class includes levered loans and high-yield, investment grade and emerging market debt. Credit is a component of a company's capital structure that contains characteristics of both equities and fixed income. Investing in credit allows Ontario Teachers' to capture default, liquidity and funding risk premiums.

The total return for the year was 9.1% (local currency return of 11.6%), which underperformed the benchmark return of 9.6% (local benchmark gain of 12.2%). The solid returns on the credit asset class were driven by strong performance in levered loans as well as high-yield, investment grade and emerging market debt. The five-year annualized rate of return for credit is 5.2%, compared to a benchmark of 4.0%.

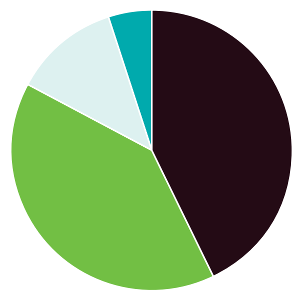
The portfolio was valued at $38.6 billion at the end of 2023, compared to $35.2 billion at the end of 2022.

Credit portfolio highlights

As at December 31, 2023
(based on total assets)

$38.6 billion
Net investments

9.1% Return	**11.6%** Local return
9.6% Benchmark	**12.2%** Local return benchmark



Levered Loans	**43%**
High Yield	**40%**
Emerging Market Sovereign	**12%**
Investment Grade	**5%**

Absolute return strategies

Ontario Teachers' uses absolute return strategies (ARS) to generate positive returns that have low correlation to other asset classes. Internally managed ARS generally look to capitalize on market inefficiencies. We also use external hedge fund managers to earn uncorrelated returns, to access unique strategies that augment returns, and to diversify risk.

The ARS portfolio was valued at $19.5 billion at the end of 2023, compared to $18.7 billion at the end of 2022.

Progress on our net-zero journey

Our commitment to achieving net-zero greenhouse gas emissions by 2050 sets our long-term trajectory, while our interim emissions intensity targets help us measure progress in the near to medium term. We use our portfolio carbon footprint (PCF) to track yearly progress against our targets, and like our investment returns, our PCF can increase or decrease from year to year. Learn more about our progress below.

2023 highlights

- We decreased our portfolio emissions intensity by 39% and absolute emissions by 7% since 2019 (our interim target baseline). Our portfolio emissions intensity decreased by 10% in 2023 relative to 2022, primarily driven by an increase in market value and decrease in absolute emissions of our portfolio carbon footprint.

- For our private assets, absolute emissions decreased by 6% and emissions intensity decreased by 7% in 2023. The decrease in emissions, thus emissions intensity, is primarily as a result of a normal course sale of certain higher-emission assets as well as successful decarbonization initiatives at select utility assets. Specifically, Puget Sound Energy, a utility asset in Washington, decreased its emissions by 12% in 2023. This is part of our decarbonization strategy – learn more about our PART strategy and results on page 40.

- In 2023, corporate fixed income absolute emissions decreased by 5% and emissions intensity decreased by 13%. Strategic portfolio construction decisions and the acquisition of lower carbon intensity credit products contributed to the decrease in emissions intensity. The emissions intensity of our credit assets is high due to the use of passive investments. Passive index exposures tend to be higher in carbon intensity because it picks up all sectors of the economy.

- Our public equities holdings emissions intensity decreased by 36%, with a slight increase in absolute emissions of 8% in 2023. This is due to the impact of portfolio construction decisions and lower carbon intensities for certain large global equity index investments.

- Our operational carbon footprint (OCF) increased due to a continued post-pandemic resumption in air travel in 2023. While our net investments have increased significantly compared to 2019, emissions from our business travel in 2023 is only just approaching pre-pandemic levels. More details on our OCF can be found on page 81.

Portfolio carbon footprint

Our PCF calculation is informed by the Partnership for Carbon Accounting Financials, which is one of the only standards currently available for PCF accounting. Additionally, our PCF calculation goes through an external assurance review by Deloitte LLP. See pages 148–150 for further details. The table below shows the value of our holdings included within our PCF scope, which has increased from about 75% in 2022 to over 80% in 2023. See pages 151–152 for more information on our PCF scope and calculation methodology.

VALUE OF HOLDINGS[1]
(C$ millions)

	2023	2022	2019	2023 vs. 2019
Public equities	**$21,296**	$12,729	$28,703	(26)%
Private assets	**146,381**	145,645	94,030	56%
Corporate fixed income	**36,993**	34,194	12,073	206%
Total	**204,670**	192,568	134,806	52%

1 Includes public and private equity and corporate fixed income holdings. For more information, see page 152.

TOTAL CARBON EMISSIONS
($ktCO_2e$)

	2023	2022	2019	2023 vs. 2019
Public equities	**849**	790	2,970	(71)%
Private assets	**2,984**	3,180	2,300	30%
Corporate fixed income	**2,050**	2,166	1,057	94%
Total	**5,883**	6,136	6,327	(7)%

CARBON INTENSITY
(tCO_2e/$ millions)

	2023	2022	2019	2023 vs. 2019
Public equities	**40**	62	103	(61)%
Private assets	**20**	22	24	(15)%
Corporate fixed income	**55**	63	88	(37)%
Total	**29**	32	47	(39)%

Operational carbon footprint

Our own operations make up less than 1% of Ontario Teachers' overall carbon emissions. However, we believe it is important to measure and look for opportunities to decrease our own OCF. For instance, we will be moving into a new LEED-certified corporate office building in Toronto in 2024, which we expect will reduce our scope 1 emissions (building heating and cooling).

As mentioned earlier, the increase in our OCF compared to the previous year is almost entirely due to increased business travel.

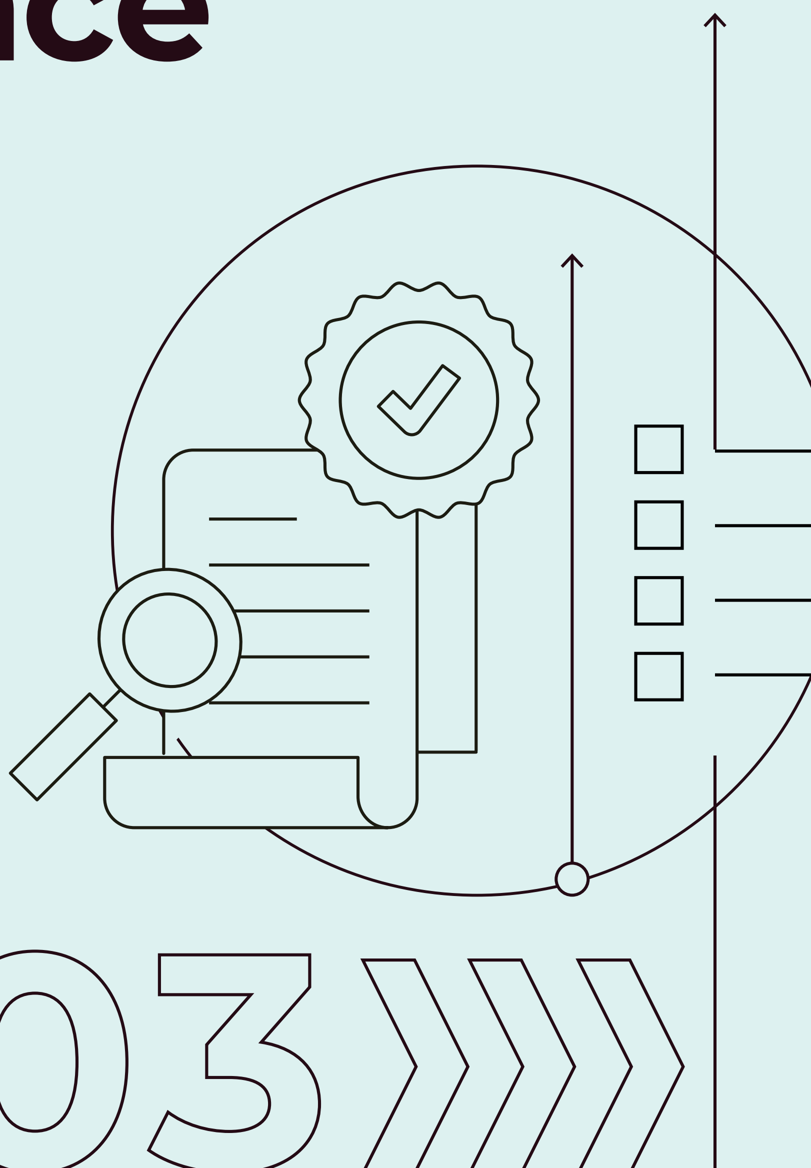
EMISSIONS
(tCO_2e)

	2023	2022	2019[1]
Scope 1: Direct emissions			
Building heating (natural gas)	**392**	395	521
Refrigerants	**13**	–	–
Scope 1 total	**405**	395	521
Scope 2: Indirect (purchased) emissions			
Building energy use (electricity)	**268**	232	217
Building heat (steam consumption)	**6**	8	8
Building cooling (chilled water consumption)	**16**	6	1
Scope 2 total	**290**	245	226
Scope 3: Indirect (value chain) emissions			
Business travel (flights)	**8,108**	4,222	8,525
Business travel (ground transportation)	**132**	76	139
Printing (paper use and disposal)	**9**	19	50
Investment portfolio	Reported separately[2]		
Scope 3 total	**8,249**	4,317	8,714
Total	**8,944**	4,957	9,461

1 We include OCF data as of 2019 to align with our PCF reporting.

2 Given the significance of the emissions related to our investment portfolio, we report them separately as our portfolio carbon footprint.

Governing with excellence



ONTARIO TEACHERS'
PENSION PLAN

About our board

Ontario Teachers' believes good governance is good business because it helps companies deliver long-term value.

We measure ourselves against best practices for governance, internal controls, risk management and stewardship because this helps us deliver long-term value to members. The plan is jointly sponsored by the Ontario government through the Minister of Education, and the executive of OTF.

Role of the board

Since its inception, Ontario Teachers' has been overseen by independent board members who are required to make decisions in the best interests of plan beneficiaries. The board is responsible for administering the pension plan and managing pension funds in accordance with the *Teachers' Pension Act* (Ontario), the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada) as well as all other matters set out in the Partners' Agreement. Day-to-day investment management and plan administration is delegated to the President and CEO and his executive team. No member of management is a board member.

Board members approve strategic plans, budgets, risk appetite, the acceptable range of risk, investment policies, benchmarks, performance, compensation and succession plans recommended by management. They monitor investment, operational, strategic and governance risks, and ensure appropriate mitigation plans are in place. The board conducts regular preliminary funding valuations to assess the pension plan's long-term financial health, and these valuations are reported to the plan sponsors.

The board works closely with the independent actuary in setting actuarial assumptions for these valuations, including the discount rate, with input from management.

Board committees

Through six standing committees, board members review progress against management's stated objectives and confirm that management's strategies and decisions are in the best interests of all plan beneficiaries.

- Audit & Actuarial Committee
- Benefits Adjudication Committee
- Governance Committee
- Human Resources & Compensation Committee
- Investment Committee
- Enterprise Risk Committee

For more information about our board committees, including their members and mandates, please visit our website.

Board effectiveness

The plan sponsors each appoint five board members and they jointly select the board's chair. This governance structure plays a crucial role in the plan's success.

When appointing board members, the sponsors look for candidates with a variety of attributes, skills and experience that maximize board effectiveness. The following table summarizes some of the key qualifications of each of our board members:

Board skills matrix

	Cathy Cranston	Patti Croft	Monika Federau	Cindy Forbes	Tim Hodgson[1]	Martine Irman[2]	Gene Lewis	George Lewis	Steve McGirr	Debbie Stein[1]	Tom Wellner[3]
Governance											
Actuarial/Funding	•	•		•		•		•			
Education/Education Administration	•		•	•			•				
Risk Oversight											
Corporate Responsibility/ Climate/ESG	•	•	•	•	•	•	•	•		•	•
Finance/Audit/Accounting	•	•		•	•	•	•	•	•	•	•
Legal/Regulatory	•	•		•	•	•	•	•	•		•
Risk Management	•	•		•	•	•		•	•		
Information Technology/Digital	•		•	•		•		•		•	•
Strategy Execution											
Investment Management Experience	•	•		•	•	•		•	•		•
Global Business Experience	•		•	•	•	•		•	•		•
Talent Management/ Compensation/Culture	•	•	•	•	•	•	•	•		•	•
Business Transformation	•		•	•	•	•	•	•		•	•
ICD.D Designation	•	•	•	•	•	•		•	•	•	•
Age											
Under 60			•			•					•
60–65	•	•			•			•		•	
Over 65				•			•		•		
Years on the board (as of January 1, 2024)	5	8	3	4	1	<1	6	5	9	1	<1

1 Joined effective January 1, 2023.

2 Joined effective September 1, 2023.

3 Joined effective July 26, 2023.

2023 board highlights

11
board members

64
average age

3.9
years average tenure

55%
of board members identify as women

45%
of board members identify as men

BOARD MEETINGS AND COMMITTEES

The board met

11 times

for full meetings, including one strategic offsite

and achieved

99%

attendance across all committee and board meetings

67%

of committee chairs are women

Investment Committee met

8 times

Audit & Actuarial Committee met

4 times

Enterprise Risk Committee met

4 times

Human Resources & Compensation Committee met

5 times

Governance Committee met

3 times

Benefits Adjudication Committee held

2 general meetings and one hearing

BOARD NEWS AND PROGRESS

Welcomed new board members Martine Irman and Tom Wellner

Thanked retiring board members Lise Fournel and Kathleen O'Neill

Held **14 board education sessions** focused on risk, international assets and geopolitical headwinds

Our board members

Visit our website to view our board members' full biographies.

Steve McGirr, Chair, ICD.D

Appointed 2015
Chair since 2019
Attendance 100%

Former Senior Executive Vice-President and Chief Risk Officer, CIBC; Former Senior Advisor, Lazard Canada Inc.; Former member, Queen's University Cabinet; Former director and Investment Committee Chair of Wellspring Cancer Support Network

Member, Investment Committee

Cathryn (Cathy) Cranston, ICD.D

Appointed 2019
Attendance 100%

Former Treasurer, BMO Financial Group; Director, Audit Committee Chair, and member of the Environment, Social, and Governance Committee of Toromont Industries Ltd.; Director and member of Audit and Governance Committees of Canadian Tire Corporation, Limited; Former director, Bank of Montreal Mortgage Corporation, BMO Trust Company, Bank of Montreal (Barbados) Limited, BMO InvestorLine, BMO Harris Investment Management Inc., and BMO Nesbitt Burns Financial Services Inc.

Chair, Human Resources & Compensation Committee; Member, Investment and Enterprise Risk Committees

Patti Croft, ICD.D, GCB.D

Appointed 2016
Attendance 100%

Former Chief Economist, RBC Global Asset Management, Sceptre Investment Counsel, TD Canada Trust, and Phillips, Hager and North; Former Vice-Chair, Ontario Pension Board; Former director and founding member, Women in Capital Markets; Former director, International Foundation for Employee Benefit Plans, Canadian Medical Association Holdings Inc. and the Boilermakers' National Pension Plan Canada.

Chair, Governance Committee; Member, Human Resources & Compensation and Investment Committees

Monika Federau, ICD.D

Appointed 2021
Attendance 98%

Former Chief Strategy Officer for Intact Financial Corporation; Director, Aviva Canada; Director, Assuris; Vice-Chair, UNICEF Canada; Member of the Advisory Board of the Smith School of Business at Queen's University

Vice-Chair, Benefit Adjudication Committee; Member, Investment, Human Resources & Compensation, and Governance Committees

Cindy Forbes, ICD.D

Appointed 2020
Attendance 100%

Former Global Chief Analytics Officer and interim Chief Marketing Officer, Manulife; Former Chief Actuary and former Chief Financial Officer (Asia), Manulife; Director, Prosperity Group Holdings, LP and Chair, Risk Committee, Prosperity Life Assurance Limited; Chair, Audit Committee, Munich Re of Canada; Former Chairperson, Board of Governors, University of Waterloo

Chair, Enterprise Risk Committee; Member, Investment, Human Resources & Compensation and Governance Committees

Tim Hodgson, ICD.D

Appointed 2023
Attendance 100%

Former Managing Partner, Alignvest Management Corporation; Former Special Advisor to the Governor of the Bank of Canada; Former Chief Executive Officer of Goldman Sachs Canada; Chair, Hydro One; Chair, Canadian Investment Regulatory Organization; Director, Property and Casualty Insurance Compensation Corporation; Former director, Dialogue Health Technologies, PSP Investments, Sagicor Financial Company, MEG Energy, the Ivey School of Business at Western University, and Bridgepoint Health

Vice-Chair, Investment Committee; Member, Enterprise Risk and Human Resources & Compensation Committees

Martine Irman, ICD.D

Appointed 2023
Attendance 100%

Former Senior Vice-President, TD Bank Group; Former Vice-Chair, Head of Global Enterprise Banking, TD Securities; Former Chair, Export Development Canada and the YMCA of Greater Toronto; Founding Co-Chair, United Way's Women United, Big Brothers and Sisters of Toronto; Director, TMX Group, First National Financial Corporation, Plan International Canada, and the St. Michael's Hospital Foundation

Member, Investment, Audit & Actuarial and Human Resources & Compensation Committees *(effective September 2023)*

Gene Lewis

Appointed 2018
Attendance 100%

Former General Secretary, Elementary Teachers' Federation of Ontario; Former President, Ontario Public School Teachers' Federation; Former member, Ontario Teachers' Sustainability Workgroup and Partners' Consultative Committee Chair, Benefits Adjudication Committee

Member, Audit & Actuarial, Investment and Enterprise Risk Committees

M. George Lewis, ICD.D

Appointed 2019
Attendance 98%

Former Group Head, Wealth Management and Insurance, RBC; Director, Legal & General Group plc; Director, AOG Group; Former director, Canadian Film Centre, Cenovus Energy, Enbridge Income Fund Holdings, Ontario Power Generation, Operation Springboard, the Centre for Addiction and Mental Health, the Toronto Symphony Orchestra, the Anglican Diocese of Toronto Foundation, and the Holland Bloorview Foundation

Chair, Investment Committee; Member, Audit & Actuarial and Human Resources & Compensation Committees

Debbie Stein, ICD.D

Appointed 2023
Attendance 100%

Former Senior Vice-President, Finance, and Chief Financial Officer of AltaGas Ltd.; Prior work experience in the finance function of TC Energy and Wendy's Restaurants of Canada; Former Controller, Paramount Canada's Wonderland; Director, Aecon Group Inc., Parkland Corporation, NuVista Energy Ltd., Trican Well Service Ltd; Former Chairperson, FEI Canada; Former Trustee, Calgary Zoo

Chair, Audit & Actuarial Committee; Member, Investment and Governance Committees

Tom Wellner, ICD.D

Appointed 2023
Attendance 100%

Former President and Chief Executive Officer, Revera Inc., Lilly Germany, LifeLabs/CML Healthcare, and Therapure Biopharma; Director and Audit Chair, Andlauer Health Group; Former director, FreshBooks, Cipher Pharmaceuticals and Novadaq Technoligies; Former advisor, Lumira Capital

Member, Investment, Audit & Actuarial and Governance Committee *(effective September 2023)*

Board remuneration

The Governance Committee of the board is responsible for making recommendations with respect to board and committee member remuneration. Board members are reimbursed for normal expenses for travel, education, meals and accommodation, as required. For 2023, these expenses totalled $46,230.

Board compensation for 2023 was as follows:

Annual retainer – Chair of the board	$290,000
Annual retainer – Board member	$145,000
Additional committee Chair retainer	
Audit or Investment Committee	$20,000
Other committees	$15,000
Additional committee Vice-Chair retainer	
Audit or Investment Committee	$10,000
Other committees	$7,500

Committee member retainer (if on more than three committees)	$5,000
For board members during their first year of tenure	$10,000
For new board members participating prior to their appointment	$5,000/set

Board Member	Board Meetings	Committee Meetings	2023 Total Remuneration
Steve McGirr, Chair of the Board[1]	11	24	$290,000
Cathy Cranston, Chair, Human Resources & Compensation Committee	11	17	160,000
Patti Croft, Chair, Governance Committee	11	16	160,000
Monika Federau, Vice-Chair, Benefits Adjudication Committee	10	16	157,500
Cindy Forbes, Chair, Enterprise Risk Committee	11	18	161,667
Lise Fournel (retired effective July 1, 2023)	5	9	72,500
Timothy Hodgson, Vice-Chair, Investment Committee	11	17	180,000
Martine Irman (appointed effective September 1, 2023)	5	5	50,833
Gene Lewis, Chair, Benefits Adjudication Committee	11	19	165,000
M. George Lewis, Chair, Investment Committee	10	17	165,000
Kathleen O'Neill, Chair, Audit & Actuarial Committee (retired effective June 1, 2023)	5	8	77,500
Deborah Stein, Chair, Audit & Actuarial Committee (appointed effective January 1, 2023)	11	15	189,167
Tom Wellner (appointed effective July 26, 2023)	5	5	62,917

1 Ex-officio of all committees, except Benefits Adjudication Committee.

FirstFruits Farms, a major grower of apples and cherries based in Washington State, U.S.

Our compensation structure

04

ONTARIO TEACHERS' PENSION PLAN

Report from the Human Resources & Compensation Committee

Letter from the Chair of the Human Resources & Compensation Committee

As the Chair of the Human Resources & Compensation Committee (HRCC), I am pleased to share with you our frameworks and approach to assessing performance and how we determine compensation at Ontario Teachers' Pension Plan.

Performance highlights for 2023

The overarching key driver of compensation at Ontario Teachers' is total fund performance over a four-year period. We use this longer time horizon when assessing total fund performance to align employee behaviours with the interests of the plan, where stable long-term performance is more important than a single good year.

This year's performance was challenged, with our 2023 value add below benchmark and 2023 real return slightly negative. Our combined total fund performance metrics over four years met our target expectations given the positive performance from the prior years. For more information on our results, please see the "Our Performance" section of this annual report.

Pay outcomes

Our compensation framework is designed to reward, over the long term, for performance within the bounds of our risk budget. This allows us to attract and retain the talent needed to support and drive our bold and ambitious plan to deliver for our members while creating a lasting, positive impact on the world.

Management and the board assess Ontario Teachers' overall performance relative to a corporate scorecard. The scorecard was established in the first quarter of 2023 and includes both qualitative and quantitative metrics across the three pillars of our enterprise strategy: culture, growth and impact. Based on a combination of total fund performance measures, outstanding service to our members, and delivering above expectations on other enterprise priorities, the board approved the Ontario Teachers' scorecard with a multiplier of 1.46 out of 2.0 (a 10% decrease in scorecard results year-over-year).

CEO pay decisions

Our assessment of the President and CEO, Mr. Jo Taylor, for 2023 reflects the recognition of his individual objective outcomes, for which we awarded him a multiplier of 1.2 times his target for his 2023 annual incentive. The weighted average of individual and Ontario Teachers' annual scorecard resulted in an overall annual incentive multiplier for Mr. Taylor of 1.36 times his target. In balancing a decline in total fund aggregate four-year performance and Mr. Taylor's role in progressing Ontario Teachers' strategy, the board awarded him with a long-term incentive allocation of $1,854,700, which represents total direct compensation of $3.7 million (27% decrease year-over-year).

The HRCC believes the compensation paid to Mr. Taylor, other Named Executive Officers (NEOs) and Ontario Teachers' employees as a whole for 2023 is appropriate and aligned with the objectives of the organization.

Further details on compensation of Mr. Taylor and other NEOs are included in the following pages.

Cathy Cranston
Chair, Human Resources & Compensation Committee

Compensation Discussion & Analysis

The Compensation Discussion & Analysis explains Ontario Teachers' approach to compensation, the various elements of our pay programs and the remuneration paid to our named executive officers (NEOs). In fiscal 2023, our NEOs were:

- Jo Taylor, President and Chief Executive Officer (CEO);
- Tim Deacon, Chief Financial Officer (CFO);
- Stephen McLennan, Executive Managing Director (EMD), Total Fund Management and Acting Head of Investments;
- Bruce Crane, EMD, Asia-Pacific; and
- Nick Jansa, EMD, Europe, the Middle East, and Africa.

Our compensation framework

Our compensation philosophy and objectives

Ontario Teachers' compensation framework has been developed on a foundation of pay-for-performance to attract, reward and retain top performing talent who embed our culture into how we work and deliver growth and long-term performance. We aim to provide equitable compensation for all employees and developing talent with a focus on creating a global organization that is diverse and inclusive. For example, we apply equal and fair employee practices to every employee, regardless of gender identity, colour, race, ethnicity, ability or sexual orientation, ensuring all employees performing the same job have the same rewards opportunities.

Our compensation framework is designed to support the vision to be a trailblazer: bold, ambitious, global. And the strategy that will get us there is to ignite a **culture** of experimentation, entrepreneurship and empowerment; deliver global **growth** and long-term performance; and create a lasting, positive **impact** on the world.

Our compensation program is based on the following principles:

- **Align the enterprise.** All employees are part of the same compensation framework, with a focus on culture, growth and impact.

- **Ensure market-competitive pay levels and mix to attract and retain high-calibre talent.** The compensation framework is aligned with the external market relevant to our business, considering the various skill sets required to achieve the organization's collective goals. The framework provides the opportunity for leaders to recognize individual employees, earning top quartile pay or better. Incentive compensation makes up a significant portion of total compensation, particularly for more senior employees, to align with Ontario Teachers' pay-for-performance culture.

- **Align rewards with employee behaviours.** In measuring employees' individual performance, there is explicit focus on striking a balance between both what was accomplished and how employees demonstrated it, by activating our culture by living our values – working in the best interest of the enterprise.

- **Ensure balance (time horizon, accountabilities, discretion).** There is a balance between annual outcomes (i.e., culture initiatives, member satisfaction, climate change) and investment performance over a four-year period. There is also a balanced approach to rewarding employees in areas over which they have most control (e.g., for junior employees, the focus is on individual performance; for senior employees, more emphasis is placed on enterprise performance). Additionally, there is a balance of discretion to ensure pay decisions are more than just formulaic outcomes and managers have the necessary flexibility/tools to ensure a holistic assessment and differentiation of rewards for each employee.

- **Align with good governance and ensure our compensation program aligns with our risk appetite.** The compensation framework embeds a number of risk mitigating features (clawback, upper limits, balanced scorecards) and ensures employees' interests are aligned with those of the members of the Ontario Teachers' Pension Plan. Additionally, senior officers review pay decisions to ensure equity through multiple lenses (i.e., by level, gender, etc.).

Independent benchmarking process

We regularly review and evaluate our programs and practices by comparing them with those of peer organizations we compete for talent with and who operate in similar markets and geographic locations. Our target pay opportunities are aligned to the competitive market rates of our peers and we differentiate pay outcomes to pay above this level for exceptional performance or below it for lesser performance.

Key risk mitigating features and governance

Governance practices used to monitor, assess and mitigate risk in the delivery of our incentive programs include:

What we do		What we don't do
Align compensation with prudent risk taking and stakeholder interests	• A significant portion of senior management pay-at-risk delivered as long-term incentive to align compensation with the risk time horizon and motivate senior management to create long-term value and remain accountable for decisions with longer-term risk exposure • There is an upper limit on individual annual incentive awards • Clawback provisions in place stating that employees committing willful acts of dishonesty, fraud or theft, or otherwise terminated with cause shall be required to pay back all amounts paid to the participant under the annual and/or long-term incentive plans in the preceding 12 months	• Set performance targets which are not sufficiently challenging, and/or provide for excessively high potential payouts • Adjust performance targets or goals downward without justification and board approval • Establish overall levels of compensation higher than median that is not reinforced by outstanding total fund and organizational performance, or set compensation targets that are outsized relative to peer group • Award excessive variable pay or severance payments
Set performance targets and goals that are demonstrably linked to the interests of Ontario's teachers	• Develop comprehensive balanced scorecards that measure progress against strategic objectives at the enterprise level and division/department level, including risk management initiatives	
Establish a risk budget to set value add performance goals that impact all employees' incentive pay, to varying degrees	• At the beginning of each year, board members approve the active risk allocations for the total fund and each investment department, which in turn establish expected annual dollar value add performance goals (i.e., dollars earned versus benchmark dollars earned) for the year • Actual investment performance at the total fund and departmental levels (measured in dollars of value add) is compared against the expected performance goals	
Compensation and performance are benchmarked against peer organizations	• Establish a peer group to allow stakeholders to make a reasonable comparison of pay and performance across the group	
Align compensation with risk management objectives	• Model and test our annual and long-term incentives under multiple performance scenarios in order to ensure that the payouts align with expected performance outcomes	

Our compensation framework meets or exceeds the Principles for Sound Compensation Practices established by the Financial Stability Board and endorsed by the G20 nations.

Independent advisors

Ontario Teachers' management engages with various external consultants to assist with the review of design and competitiveness of compensation, benefits and retirement programs, as needed. The overall design of the program is competitive, continues to reinforce our pay-for-performance philosophy and supports our evolving strategy.

The Human Resources & Compensation Committee of the board engaged Hugessen Consulting Inc. as needed, to assist in reviewing compensation recommendations to the board.

Elements of our compensation program – Overview

Our compensation program comprises of base salary, annual incentives and long-term incentives for non-bargaining unit employees.

Compensation structures for bargaining unit staff have been negotiated into the collective agreement. The four-year agreement runs through to December 31, 2025.

Base salary

Base salaries compensate employees for fulfilling their day-to-day responsibilities and are reviewed annually. Each employee at Ontario Teachers' is assigned a job level with a corresponding salary grade that is designed to provide market-competitive pay commensurate with the employee's responsibilities, demonstrated skills, knowledge and track record of performance.

Annual Incentive Plan (AIP)

Our AIP rewards employees with cash awards based on business and individual performance results relative to goals. Weightings for each element vary by level for Investment, Corporate and Member Services employees.

The performance of Ontario Teachers' and division/department is assessed based on a scorecard that is developed at the beginning of the year and includes annual priorities that align to our three enterprise pillars of culture, growth and impact. The overall outcomes of those scorecards as well as individual performances makes up the final AIP award.

Ontario Teachers' Performance (0x–2x)		+	Division/Department Performance (0x–2x)		+	Individual Performance (0x–3x)	
30%	Culture		100%	4-Year Investment Department financial metrics		100%	*What* – Assessment of performance related to business outcomes
50%	Growth (incl. 4-Year total fund Real Return; 4-Year total fund value add; 48-Month total fund Volatility)			Annual Strategic Execution			*How* – Assessment of how employees take an active part in our evolving culture by living the values every day
20%	Impact						

AIP Payout

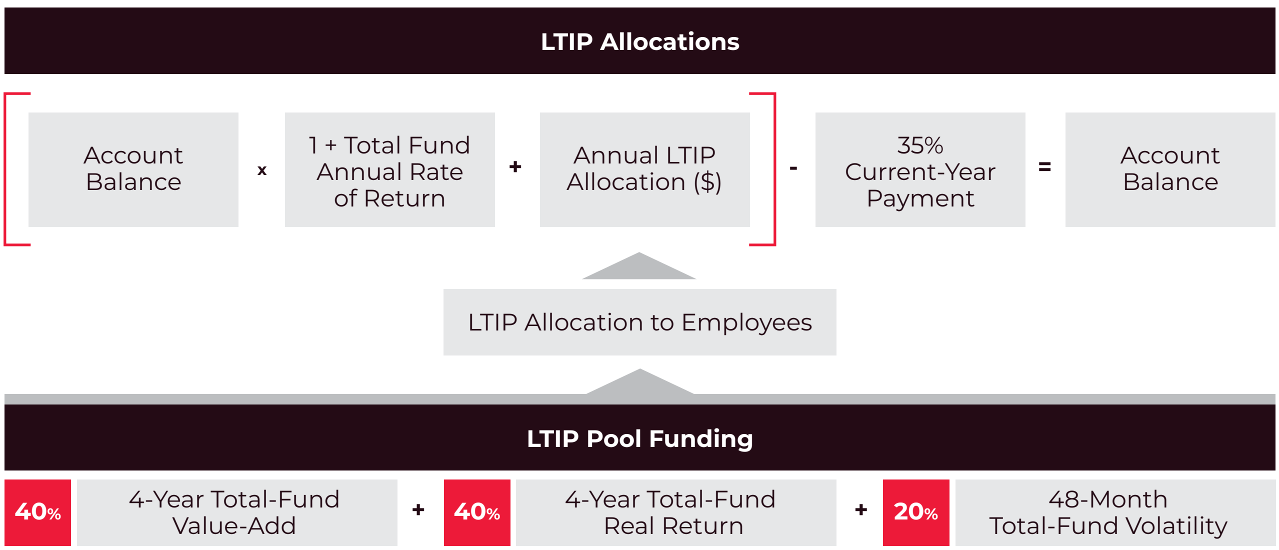
Deferred Incentive Program: Employees may voluntarily defer up to 100% of AIP to allocate into the fund for up to two years.

Value add is after deducting management fees, transaction costs and administrative costs allocated to the Active programs (includes annual incentives but does not include long-term incentives).

Long-Term Incentive Plan (LTIP)

Our LTIP rewards employees with cash awards on the basis of their personal performance, potential and with a focus on retaining key talent that are critical in driving the strategy of culture, growth and impact. The cash awards are allocated at year end to a notional account which is drawn down at a rate of 35% per year. LTIP eligible employees include Investment employees at the Principal level and above; and Corporate and Member Services employees at the Director level and above.

Ontario Teachers' overall growth objective as measured through three total fund metrics (value add, real return and volatility) is used to guide the size of the overall LTIP pool in any one year, including the use of informed judgment as approved by the HRCC in the final pool sizing decision.

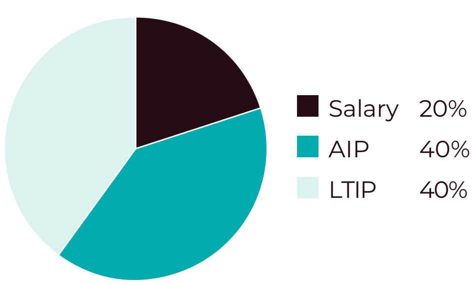


Mix of pay

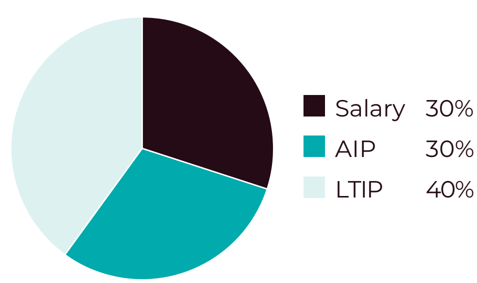
The majority of compensation paid to our senior executives is variable and at-risk. Recognizing their direct influence on investment results and our objective of linking pay to performance, investment professionals and our CEO have a greater percentage of their total direct compensation (base salary, annual incentive, and long-term incentive) tied to our variable pay programs. Below is the target total direct compensation mix for our NEOs. The actual pay mix realized may be different depending upon Ontario Teachers', divisional and investment performance and the NEO's individual performance.

TARGET PAY MIX

President and CEO; and CIO



Other NEOs (on average)



Benefits and other compensation

Ontario Teachers' provides a competitive benefits and well-being program that includes life insurance, disability, health and dental benefits, vacation and other leave policies, wellness programs and an Employee Family Assistance Program. Our retirement benefit for Canadian employees is a defined benefit pension plan described on page 101. Employees based outside of Canada are eligible to participate in local contributory pension plans based on local regulations and market practices.

Termination arrangements for the NEOs

There are no NEOs with open-ended termination arrangements. In the event of termination without cause, we would offer a severance package commensurate with those offered to others of similar seniority who may have similarly been terminated without cause, in exchange for a full and final release.

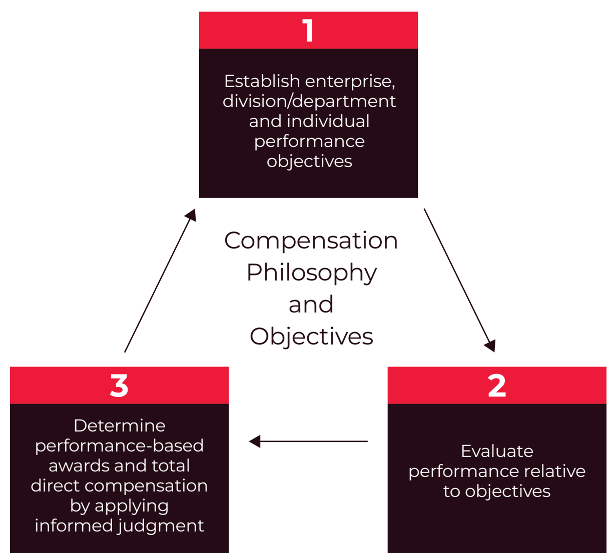
The treatment under each of the termination scenarios is governed by the Annual and Long-Term Incentive Plan documents, as summarized below.

	Annual Incentive Plan	Long-term Incentive Plan
Resignation	Forfeiture	Forfeiture
Retirement (as defined by the compensation plan)	Pro-rated award reflecting the period of active employment during the calendar year	Notional account balance vests progressively over three years following retirement
Termination without Cause	Pro-rated award reflecting a reasonable notice period	Continued vest during period of reasonable notice
Termination with Cause/ Wilful Disobedience	Forfeiture	Forfeiture

Compensation decisions made in 2024 reflecting 2023

How decisions are made

At Ontario Teachers', compensation decisions are guided by our compensation philosophy and business outcomes. The illustration at right provides an overview of the annual process for determining compensation for the CEO and senior officers.



Annually, the board members and the CEO agree on the key objectives for Ontario Teachers' overall performance scorecard and the CEO's individual performance goals. At the end of the year, the board members evaluate the CEO's performance relative to the annual objectives and assign an overall performance rating. The CEO's individual performance rating, Ontario Teachers' overall performance and total fund performance are all considered when the board determines the CEO's total direct compensation.

Like the CEO, senior officers and the CEO agree on individual performance goals for the year and at year end, each senior officer is evaluated relative to these goals. The outcome of individual goals and other performance measures, as previously noted, informs the total direct compensation recommendations for senior officers which are presented to board members for approval.

Enterprise objectives are cascaded down from the CEO and senior officers to all employees annually. Check-ins between employees and respective managers are ongoing throughout the year. During the annual review cycle, guiding principles are communicated to leaders to maximize fair and equitable decisions across levels, gender, etc., as they relate to stated objectives and performance outcomes. Analysis of pay recommendations for employees is conducted and reviewed over multiple dimensions at various levels of senior leadership prior to overall approval.

Ontario Teachers' performance

To ensure we stay focused on our mission to provide outstanding service and retirement security to our members today and tomorrow, we prepare an enterprise scorecard comprising goals and measures for three categories (culture, growth and impact). The scorecard ensures a balanced view of key areas that will drive employees to achieve our short-, medium- and long-term goals.

At the end of the year, the scorecard is evaluated, and the results are presented to board members for approval. In 2023, employees delivered combined strong performance with a multiplier of 1.46 out of 2.0.

Total fund performance

The table below summarizes total-fund performance for 2020 through to 2023 relative to the targets as approved by the board. In aggregate, staff met target performance levels over the four-year performance period.

Year	Total Fund Value Add	Total Fund Real Return	Total Fund Volatility
2020 to 2023	Below Target	Below Target	Exceptional

Division/department performance

We also assess the strategic execution of each of our divisions across the organization against their respective annual objectives. Overall, employees delivered performance above target, with an average divisional/departmental multiplier of 1.48 out of 2.0.

For our investment departments, a portion of their annual objectives include four-year value add department performance relative to the return on risk allocation. For some departments, their four-year value add performance is measured relative to total fund outcomes.

Year	Equities	Infrastructure and Natural Resources	Capital Markets
2020 to 2023	Target	Below Target	Target

CEO performance

At the start of the year, the HRCC and the CEO agreed on organizational and individual objectives for the year. At the end of the year, the HRCC evaluated the CEO's performance against those objectives and presented its evaluation to the board for review and approval.

The CEO's objectives for fiscal 2023 are aligned with the three pillars of our enterprise strategy. Apart from total fund performance, some of the notable accomplishments were:

Culture: Good progress against the main milestones of the Ontario Teachers' 3.0 strategy. Strong Culture Index scores reflected a high level of employee engagement and the excellent retention of new hires. Good progress made on increasing our representation of underrepresented groups.

Growth: Reorganized real estate, with changes to include governance, operating model, team organization and talent gaps. Evolved the senior leadership team, oversight of investments and strategy and enhanced cross-team collaboration. Conducted a review of international focused countries and implemented an integrated plan that optimizes resources in Asia-Pacific outside China. Continued to maintain high Service Excellence Index (SEI) scores with members and accelerated the online Omnichannel strategy by one year. Exceeded targets for realized savings of operational expenses.

Impact: Steady progress made towards 2025 net-zero targets with emission intensity of 28.7 tCO_2e/$M and a decrease in portfolio carbon footprint of 9.8%. Advanced the Impact strategy with pilots in nine portfolio companies and a new employee giving program. Enhanced Ontario Teachers' brand through thought leadership pieces, meetings with key partners and media events.

The board of directors awarded Mr. Taylor an AIP award of $1,275,300 and an LTIP award of $1,854,700 for fiscal 2023.

Executive compensation

The compensation table represents disclosure of base salary, annual incentive, long-term incentive and other compensation earned in 2021, 2022 and 2023 by the CEO, the CFO and the three other most highly compensated executives, excluding subsidiary companies.

Name and Principal Position[1]	Year	Base Salary A	Annual Incentive B	Annual Long-Term Incentive Allocation C	Total Direct Compensation[2] A+B+C	Long-Term Incentive Paid D	Other[3] E	Change in Pension Value[4] F	Total Compensation[5] A+B+D+E
Jo Taylor, President and Chief Executive Officer	2023	$570,000	$1,275,300	$1,854,700	$3,700,000	$3,410,311		$220,600	$5,255,611
	2022	570,000	1,672,200	2,857,800	5,100,000	4,115,500			6,357,700
	2021	550,000	1,630,000	3,420,000	5,600,000	4,729,810			6,909,810
Tim Deacon, Chief Financial Officer	2023	470,000	646,000	650,000	1,766,000	916,200		140,800	2,032,200
	2022	470,000	781,000	1,100,000	2,351,000	1,039,700			2,290,700
	2021	450,000	525,000	1,100,000	2,075,000	968,300	100,000		2,043,300
Stephen McLennan[6], Executive Managing Director, Total Fund Management and Acting Head of Investments	2023	370,000	1,078,000	880,000	2,328,000	1,900,700		387,200	3,348,700
	2022	370,000	881,100	1,500,000	2,751,100	2,135,100			3,386,200
	2021	335,000	767,300	1,700,000	2,802,300	2,381,100			3,483,400
Bruce Crane, Executive Managing Director, Asia-Pacific (All amounts are reported in SGD)	2023	650,000	1,036,300	1,475,000	3,161,300	1,776,300	1,368,300	24,300	4,830,900
	2022	598,800	1,127,300	1,800,000	3,526,100	1,902,100	1,217,300	93,000	4,845,500
	2021	578,800	1,162,000	2,308,500	4,049,300	1,881,400	611,600	97,900	4,233,800
Nick Jansa, Executive Managing Director, Europe, Middle East, and Africa (All amounts are reported in GBP)	2023	355,000	627,200	500,000	1,482,200	1,101,700		49,700	2,083,900
	2022	355,000	845,400	1,400,000	2,600,400	1,398,900		49,300	2,599,300
	2021	340,000	778,700	1,650,000	2,768,700	1,344,200		48,300	2,462,900

1 Mr. McLennan was appointed Acting Head of Investments in September 2023 and promoted to Chief Investment Officer, Asset Allocation effective January 2024. Mr. Crane was promoted to Executive Managing Director, Asia-Pacific in June 2023.

2 When making compensation decisions, the board and management focus on Total Direct Compensation (TDC) which reflects base salary, annual incentive and long-term incentive allocation. Base salary represents the annualized salary as of December 31 of each year.

3 Mr. Deacon received a signing bonus of $100,000 CAD upon hire in 2021. Mr. Crane received three years of relocation support including housing support, tuition reimbursement, living allowance, and other relocation support as applicable.

4 Mr. Jansa and Mr. Crane received employer pension contributions as cash-in-lieu.

5 Change in pension value and long-term incentive allocation are not included in total compensation.

6 In recognition of his Acting Head of Investments role in 2023, Mr. McLennan's annual incentive for 2023 includes an additional $300,000 CAD and his LTI payout is inclusive of a special one-time LTI allocation of $500,000 CAD.

Notional account balances

The table below outlines the notional account balances for each NEO.

Name and Principal Position	Opening Balance	2023 Rate of Return	Long-Term Incentive Allocation	2024 Payment	Balance
Jo Taylor, President and CEO	$7,741,221	1.91%	$1,854,700	$3,410,311	$6,333,467
Tim Deacon, Chief Financial Officer	1,930,967	1.91%	650,000	916,200	1,701,648
Stephen McLennan, EMD, Total Fund Management and Acting Head of Investments	4,465,278	1.91%	880,000	1,900,700	3,529,865
Bruce Crane, EMD, Asia-Pacific (All amounts are reported in SGD)	3,532,608	1.91%	1,475,000	1,776,300	3,298,781
Nick Jansa, EMD, Europe, Middle East, and Africa (All amounts are reported in GBP)	2,598,062	1.91%	500,000	1,101,700	2,045,985

Notional account for Mr. Taylor includes a prior account in GBP before transferring to Canada, all represented in Canadian dollars.

Retirement benefits

Ontario Teachers' Canadian employees participate in the Public Service Pension Plan (PSPP) and Public Service Supplementary Plan (PSSP), or the OPSEU Pension Plan, all of which are defined benefit plans. Employees with pensionable earnings in excess of *Income Tax Act* (ITA) regulations also participate in a non-registered, unfunded Supplemental Employee Retirement Plan (SERP).

Employees based outside of Canada are eligible to participate in local contributory pension plans based on local regulations and market practices.

The table below outlines the estimated present value of the total Canadian pension from all sources (PSPP, PSSP and SERP) and estimated annual Canadian pension benefits at age 65 for the CEO, the CFO and the CIO.

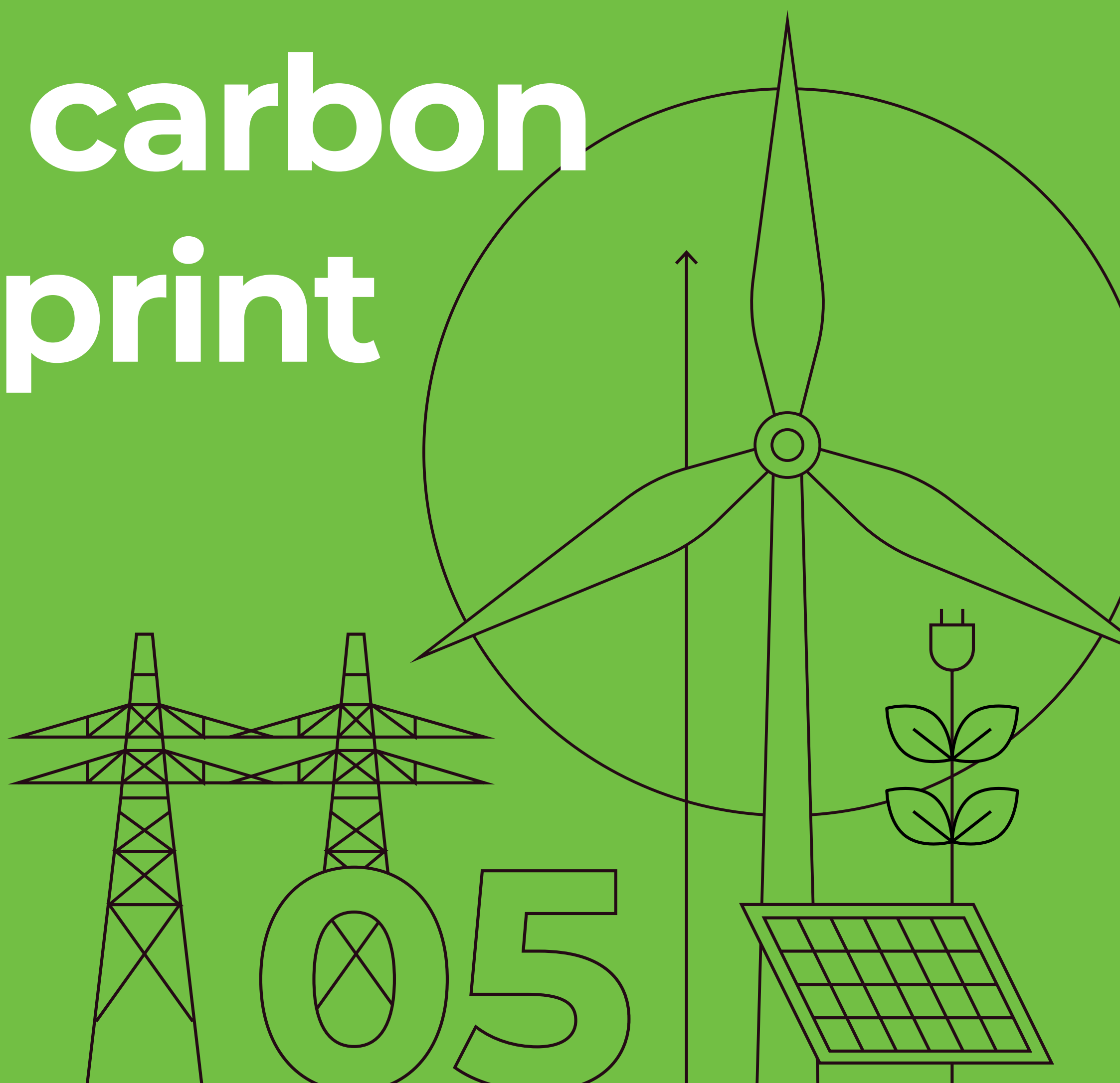
Name and Principal Position	Projected Years of Service at Age 65	Estimated Total Annual Pension Benefit at Age 65	Present Value of Total Pension January 1, 2023	2023 Compensatory Annual Change in Pension Value	2023 Non-Compensatory[1] Annual Change in Pension Value	Present Value of Total Pension December 31, 2023
Jo Taylor[2], President and CEO	6	$65,900	$447,600	$140,000	$80,600	$668,200
Tim Deacon, Chief Financial Officer	22	317,800	150,000	81,300	59,500	290,800
Stephen McLennan, EMD, Total Fund Management and Acting Head of Investments	33	316,900	1,658,700	36,900	350,300	2,045,900

1 Includes interest on liabilities and the impact of any assumption changes.

2 Represents Mr. Taylor's participation in the Canadian retirement benefits beginning January 1, 2020.

The values shown above are estimated based on assumptions and represent entitlements that may change over time.

Financial statements and carbon footprint



ONTARIO TEACHERS'
PENSION PLAN

Financial reporting

The Financial Reporting section highlights sections of the financial statements that management views as key to understanding the financial position of Ontario Teachers'.

Included in the pages preceding the consolidated financial statements are three letters that describe the responsibility of management, the auditors and the actuaries:

- Management's Responsibility for Financial Reporting – identifies that management is responsible for preparation of the financial statements. The financial statements are prepared according to Canadian accounting standards for pension plans. The board, which is independent from management, has ultimate responsibility for the financial statements and is assisted in its responsibility by the Audit & Actuarial Committee.
- Independent Auditor's Report – the formal opinion issued by an external auditor on the consolidated financial statements.
- Actuaries' Opinion – identifies that valuation methods are appropriate, data is sufficient and reliable and the assumptions are in accordance with accepted actuarial practices. The actuarial valuation is based on membership data, actuarial and accounting standards, and long-term interest rates.

Year-end financial position

Ontario Teachers' ended the year with a financial statement surplus of $36.1 billion, a decrease from $41.0 billion at the end of 2022. The surplus represents the difference between net assets available for benefits and accrued pension benefits at year-end.

As at December 31 (Canadian $ millions)	**2023**	2022
Net assets available for benefits	**$ 247,513**	$ 247,235
Accrued pension benefits	**211,393**	206,197
Surplus	**$ 36,120**	$ 41,038

During 2023, net assets available for benefits increased by $0.3 billion. Net investment income of $5.5 billion and contributions of $3.3 billion increased net assets available for benefits, while benefits paid of $7.6 billion and administrative expenses of $0.9 billion decreased net assets available for benefits. See Our Performance section for details of investment returns.

Financial statement valuation

The financial statement valuation measures the fair value of the plan's net assets available for benefits and pension liabilities at a point in time. The financial statement valuation provides a snapshot of the financial health of the plan as it does not assume any future contributions and does not project the cost of benefits that current members have not yet earned. The financial statement valuation is therefore not considered an indicator of the long-term sustainability of the plan and not used by the plan sponsors to set contribution rates and benefit levels.

Methods and assumptions used for the financial statement valuation

The financial statement valuation is prepared in accordance with guidance from Chartered Professional Accountants of Canada (CPA Canada). The pension liabilities, prepared by an independent actuary, take into account pension credit earned to date by all plan members and contributions already received by the plan. Valuation techniques, estimates and pension liabilities are described further in the notes to the consolidated financial statements.

The actuarial assumptions used in determining the pension liabilities reflect best estimates of future economic and non-economic factors proposed by management and approved by the board. Actual experience typically differs from these assumptions, and the differences are recognized as experience gains and losses in future years.

Fair value measurement

Ontario Teachers' investments and investment-related liabilities are recorded at fair value. The objective of fair value determination is to estimate an exit price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants. Valuation techniques are employed in order to measure fair value. As described further in the notes to the consolidated financial statements, these techniques utilize inputs such as prices for market transactions, discount rates, contractual or expected future cash flows and other relevant factors that impact the assessment of fair value.

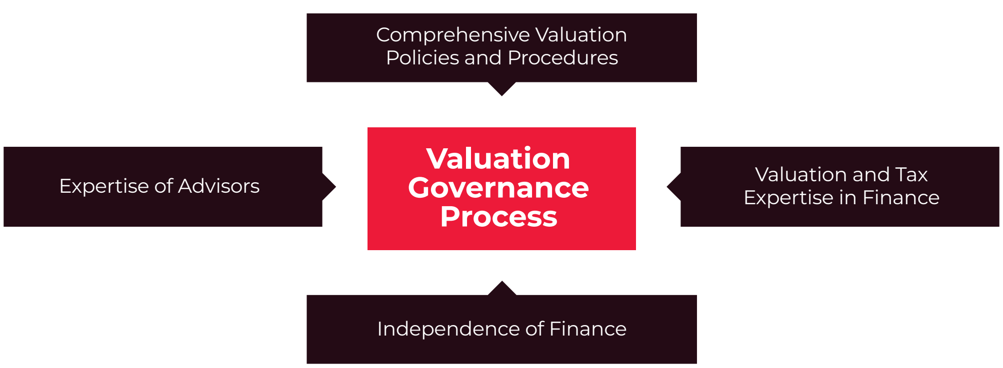
As required under Canadian accounting standards, Ontario Teachers' has classified and disclosed its fair value measurements into one of three categories based upon the degree of observable inputs used in their determination. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities; Level 2 inputs are derived from observable prices but do not meet the Level 1 criteria, while Level 3 inputs are unobservable. If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based upon the lowest level input that is significant to the fair value measurement.

Valuation of Level 3 investments

The valuation of our investments is guided by IFRS 13: Fair Value Measurement. This standard provides guidance on fair value measurements including the definition of fair value. The valuation of Ontario Teachers' Level 3 investments is subject to a strong governance process which includes:

- Comprehensive valuation policies and procedures for all asset classes
- In-house valuation and tax expertise within our Finance team
- Independence of our Finance team from the Investments team. We also maintain appropriate segregation of duties, with the majority of Level 3 direct investments (by value) requiring three levels of Finance sign off
- Use of independent external valuation experts and real estate appraisers to provide expertise, knowledge and familiarity with local market conditions, market transactions and industry trends
- Semi-annual reporting to the Audit & Actuarial Committee on Level 3 investment valuations
- Year-end valuations are subject to audit by external auditor valuation specialists
- The valuation of Level 3 investments is subject to periodic internal audits

VALUATION GOVERNANCE PROCESS



Effective oversight and controls

Disclosure and financial reporting controls

We take guidance from National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, issued by the Canadian Securities Administrators, on a voluntary basis, as part of our commitment to good governance practices. The President and CEO and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and internal control over financial reporting.

We have designed disclosure controls to provide reasonable assurance that material information related to the plan is gathered and reported to management for timely decisions regarding public disclosures. We evaluated our disclosure controls and concluded that they are effective as at December 31, 2023.

We have also designed internal control over financial reporting, using the Integrated Framework issued in 2013 by the Treadway Commission's Committee of Sponsoring Organizations (the COSO Framework), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian accounting standards for pension plans. We have evaluated the effectiveness of the plan's internal controls over financial reporting and concluded they are effective as at December 31, 2023.

Protecting audit quality and integrity

A key oversight activity of audit committees is annually assessing the effectiveness of the external auditor to make informed recommendations to the board on whether to reappoint the external auditor. Ontario Teachers' conducts assessments annually and the Ontario Teachers' Audit & Actuarial Committee recommended, and the board approved, the reappointment of the external auditor for 2023.

Ontario Teachers' and other corporate governance advocates have expressed concern over the years about accounting firms that audit public companies and also earn substantial revenue from those companies for non-audit consulting services. We believe that such consulting fees can compromise, or appear to compromise, the integrity of the audit function.

We strive to minimize the use of consulting services involving the plan's external auditor and disclose the total amount paid for such services. In 2023, fees paid by Ontario Teachers' and its controlled entities to Deloitte Touche Tohmatsu Limited (Deloitte), which is Ontario Teachers' appointed external auditor for 2023, totaled $21.9 million (2022 – $19.7 million), of which $17.1 million (2022 – $15.7 million) was for audit services, $4.2 million (2022 – $3.4 million) was for audit-related services, and $0.6 million (2022 – $0.6 million) was for non-audit services.

Management's responsibility for financial reporting

The consolidated financial statements of the Ontario Teachers' Pension Plan Board (Ontario Teachers') have been prepared by management, which is responsible for the integrity and fairness of the data presented, including amounts which must, of necessity, be based on estimates and judgments. The accounting policies followed in the preparation of these consolidated financial statements conform to Canadian accounting standards for pension plans. Financial information presented throughout the annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, a code of conduct, the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization.

Ultimate responsibility for the consolidated financial statements rests with the Ontario Teachers' board of directors (the board). The board is assisted in its responsibilities by the Audit & Actuarial Committee (the Committee), consisting of five board members who are not officers or employees of Ontario Teachers'. In addition, the Committee reviews the recommendations of the internal and external auditors for improvements in internal control and the action of management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with management and with both the external and internal auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. This Committee reviews the consolidated financial statements and recommends them for approval by the board.

Ontario Teachers' external auditor, Deloitte LLP, is directly accountable to the Audit & Actuarial Committee and has full and unrestricted access to the Committee. They discuss with the Committee their audit and related findings as to the integrity of Ontario Teachers' financial reporting and the adequacy of internal control systems. Ontario Teachers' external auditor has conducted an independent examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express the opinion in their Independent Auditor's Report.

Jo Taylor
President and Chief Executive Officer

Tim Deacon
Chief Financial Officer

February 28, 2024

Independent auditor’s report

To the Administrator of
Ontario Teachers’ Pension Plan:

Opinion

We have audited the consolidated financial statements of Ontario Teachers’ Pension Plan Board (“Ontario Teachers’”), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits, and changes in surplus for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ontario Teachers’ as at December 31, 2023, and the changes in its net assets available for benefits and changes in its accrued pension benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Ontario Teachers’ in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor’s report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Ontario Teachers' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Ontario Teachers' or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Ontario Teachers' financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ontario Teachers' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ontario Teachers' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Ontario Teachers' to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario

February 28, 2024

Actuaries' opinion

Mercer (Canada) Limited was retained by the Ontario Teachers' Pension Plan Board (Ontario Teachers') to perform an actuarial valuation of the going concern liabilities in respect of Ontario Teachers' Pension Plan (the Plan) as at December 31, 2023, for inclusion in Ontario Teachers' consolidated financial statements. As part of the valuation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to the board members of Ontario Teachers' (the board).

The valuation of actuarial liabilities in respect of the Plan was based on:

- membership data provided by Ontario Teachers' as at August 31, 2023;
- methods prescribed by Section 4600 of the Chartered Professional Accountants Canada Handbook for pension plan financial statements;
- real and nominal interest rates on long-term bonds at the end of 2023;
- assumptions about future events (for example, future rates of inflation and future retirement rates) which have been communicated to us as the board's best estimate of these events; and
- information obtained from the Ontario Ministry of Labour and other published data, where applicable, on wage rate changes.

The objective of the consolidated financial statements is to fairly present Ontario Teachers' financial position on December 31, 2023, as a going concern. This is different from the funding valuation (the actuarial valuation required by the *Pension Benefits Act* (Ontario)), which establishes a prudent level for future contributions.

While the actuarial assumptions used to estimate liabilities for Ontario Teachers' consolidated financial statements represent the board's best estimate of future events and market conditions at the end of 2023, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation are appropriate for the purposes of the valuation, and that the assumptions used in the valuation are appropriate for purposes of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice in Canada.

Eileen Luxton, F.C.I.A., F.S.A.

Lise Houle, F.C.I.A., F.S.A.

February 28, 2024

Consolidated statement of financial position

As at December 31 (Canadian $ millions)	2023	2022
Net assets available for benefits		
ASSETS		
Cash	**$ 501**	$ 1,107
Receivable from the Province of Ontario (NOTE 3)	**3,284**	3,298
Receivable from brokers	**792**	562
Investments (NOTE 2)	**305,335**	311,270
Premises and equipment	**291**	83
	310,203	316,320
LIABILITIES		
Accounts payable and accrued liabilities	**686**	590
Due to brokers	**592**	1,364
Investment-related liabilities (NOTE 2)	**61,412**	67,131
	62,690	69,085
Net assets available for benefits	**$ 247,513**	$ 247,235
Accrued pension benefits and surplus		
Accrued pension benefits (NOTE 4)	**$ 211,393**	$ 206,197
Surplus	**36,120**	41,038
Accrued pension benefits and surplus	**$ 247,513**	$ 247,235

The accompanying notes are an integral part of these Consolidated Financial Statements.

On behalf of the Plan administrator:

Steve McGirr
Chair

Debbie Stein
Board Member

Consolidated statement of changes in net assets available for benefits

For the year ended December 31 (Canadian $ millions)	2023	2022
Net assets available for benefits, beginning of year	**$ 247,235**	$ 241,582
Investment operations		
Net investment income (NOTE 5)	**5,525**	10,360
Administrative expenses (NOTE 9a)	**(829)**	(785)
Net investment operations	**4,696**	9,575
Member service operations		
Contributions (NOTE 8a)	**3,347**	3,367
Benefits (NOTE 8b)	**(7,684)**	(7,205)
Administrative expenses (NOTE 9b)	**(81)**	(84)
Net member service operations	**(4,418)**	(3,922)
Increase in net assets available for benefits	**278**	5,653
Net assets available for benefits, end of year	**$ 247,513**	$ 247,235

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated statement of changes in accrued pension benefits

For the year ended December 31 (Canadian $ millions)	2023	2022
Accrued pension benefits, beginning of year	**$ 206,197**	$ 257,482
Increase in accrued pension benefits		
Interest on accrued pension benefits	**8,835**	6,467
Benefits accrued	**6,196**	9,614
Experience losses (NOTE 4c)	**3,944**	8,301
	18,975	24,382
Decrease in accrued pension benefits		
Benefits paid (NOTE 8b)	**7,682**	7,204
Changes in actuarial assumptions and methods (NOTE 4a)	**6,097**	68,463
	13,779	75,667
Net increase/(decrease) in accrued pension benefits	**5,196**	(51,285)
Accrued pension benefits, end of year	**$ 211,393**	$ 206,197

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated statement of changes in surplus/(deficit)

For the year ended December 31 (Canadian $ millions)	2023	2022
Surplus/(deficit), beginning of year	**$ 41,038**	$ (15,900)
Increase in net assets available for benefits	**278**	5,653
Net (increase)/decrease in accrued pension benefits	**(5,196)**	51,285
Surplus, end of year	**$ 36,120**	$ 41,038

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to consolidated financial statements

For the year ended December 31, 2023

Description of Ontario Teachers' and the Plan

The following description of the Ontario Teachers' Pension Plan Board (Ontario Teachers') and Ontario Teachers' Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the *Teachers' Pension Act* (Ontario) (the TPA) as amended and other governing documents.

(a) General

The Plan is a contributory defined benefit pension plan co-sponsored by the Province of Ontario and Ontario Teachers' Federation (OTF) (the co-sponsors). The principal terms of the Plan are set out in Schedule 1 to the TPA.

The Plan is registered with the Financial Services Regulatory Authority of Ontario (FSRA) and under the *Income Tax Act* (Canada) (the ITA) (registration number 0345785) as a Registered Pension Plan (RPP) which is exempt from income taxes in Canada. The Plan may be liable for taxes on income earned in other jurisdictions.

The Plan is administered and the investments are managed by Ontario Teachers'. Under the TPA, Ontario Teachers' is constituted as a corporation without share capital to which the *Corporations Act* (Ontario) does not apply.

Ontario Teachers' is overseen by independent, professional board members (the board). The co-sponsors each appoint five board members and they jointly select the chair.

(b) Funding

Plan benefits are funded by contributions and investment income. Contributions are made by active members of the Plan and are matched by either the Province of Ontario or designated employers. The determination of the value of the accrued pension benefits and required contributions is made on the basis of periodic actuarial valuations.

(c) Retirement pensions

A retirement pension is available based on the number of years of credited service, the average of the best five annual salaries and the age of the member at retirement. A member is eligible for a reduced retirement pension from age 50. An unreduced retirement pension is available from age 65 or when the sum of a member's age and qualifying service equals 85 if earlier.

(d) Disability pensions

A disability pension is available at any age to a member with a minimum of 10 years of qualifying service, who becomes disabled while employed in education and who ceases to be employed in education as a result of the disability. The type of disability pension is determined by the extent of the disability.

(e) Death benefits

Death benefits are available on the death of an active member and may be available on the death of a retired member. The benefit may take the form of a survivor pension, lump-sum payment or both.

(f) Escalation of benefits

Pensions in pay are adjusted each year for inflation, subject to an upper limit of 8% and a lower limit of 0% in any one year with any excess above or below those limits carried forward. In accordance with the plan terms, the annual adjustment is made each January and is determined as the ratio of the 12-month average of the Consumer Price Index (CPI) ending the most recent September over the 12-month average of CPI ending the prior September (the CPI ratio).

For pension credit earned up to December 31, 2009, inflation protection is 100% of the CPI ratio. Pension credit earned after December 31, 2009, is subject to conditional inflation protection. For pension credit earned between January 1, 2010, and December 31, 2013, the minimum inflation protection level is set at 50% of the CPI ratio. There is no minimum level of inflation protection for pension credit earned after 2013. Inflation protection levels stated in the most recent funding valuation filing remain in effect until a subsequent filing updates the amount. Inflation protection of up to 100% for pension credit earned after 2009 can be restored on a go-forward basis, depending on the Plan's funded status.

(g) Retirement Compensation Arrangement

Restrictions in the ITA and its regulations on the payment of certain benefits from the RPP for periods of service after 1991 may impact some Plan members. To address affected members, the Retirement Compensation Arrangement (the RCA) was established by agreement between the co-sponsors as a supplementary plan to provide for these benefits. Examples of these benefits include: (1) members of the Plan who retired with average earnings above $189,248 (CPP-exempt members $175,334) in 2023 and $184,433 (CPP-exempt members $171,000) in 2022; and (2) members whose pensions would require a larger reduction for early retirement to comply with the ITA limitations than the Plan would impose. Because the RCA is a separate trust, the net assets available for benefits and accrued benefits and deficit of the RCA are not included in these consolidated financial statements.

NOTE 1. Summary of material accounting policies

(a) Basis of presentation

These consolidated financial statements are prepared in Canadian dollars, Ontario Teachers' functional currency, in accordance with the accounting standards for pension plans in Part IV of the Chartered Professional Accountants (CPA) Canada Handbook (Section 4600). Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, Ontario Teachers' must consistently comply with either International Financial Reporting Standards (IFRS) in Part I or Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook. Ontario Teachers' has elected to comply with IFRS in Part I of the CPA Canada Handbook. To the extent that IFRS in Part I is inconsistent with Section 4600, Section 4600 takes precedence. These consolidated financial statements also provide disclosures required by Regulation 909 under the *Pension Benefits Act* (Ontario) (PBA).

Under Section 4600, investment assets, including those over which Ontario Teachers' has control or significant influence, are measured at fair value and presented on a non-consolidated basis. Ontario Teachers' consolidates Ontario Teachers' Finance Trust (OTFT) an entity that supports Ontario Teachers' funding activities, and whose issued commercial paper and term debt is guaranteed by Ontario Teachers'. Wholly owned investment holding companies managed by Ontario Teachers' are also consolidated. Investment holding companies that are managed by external parties are not consolidated and are recognized as investment assets.

Change in presentation of management fees
Ontario Teachers' changed its presentation and disclosure in 2023 for certain management fees, whereby management fees incurred by the underlying fund investments of Ontario Teachers' are now included in net gain (loss) on investments in net investment income. The prior period comparative balances in NOTE 5 have been updated to conform to current year's presentation, which reduced management fees by $576 million and reduced net gain (loss) on investments by the same amount. The updated presentation has no impact on net investment income, net assets available for benefits, net investments or accrued pension benefits.

The consolidated financial statements for the year ended December 31, 2023 were authorized for issue through a resolution of the board on February 28, 2024.

(b) Current and future changes in accounting policies

There were no newly issued standards, changes in existing standards or new interpretations in Part IV or Part I of the CPA Handbook during the year ended December 31, 2023 requiring adoption that had a material impact on the consolidated financial statements.

There are no issued standards, changes in existing standards or new interpretations with effective dates on or after January 1, 2024 that are expected to have a significant impact on the consolidated financial statements.

(c) Investments

Valuation of investments
Investments and investment-related liabilities are recorded at fair value. Fair value is the price that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction (i.e., an exit price) between market participants at the measurement date. In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets.

Fair values of investments are determined as follows:

a. Short-term investments and commercial paper are valued using either quoted closing mid-market prices or discounted cash flows based on current market yields, when quoted closing mid-market prices are unavailable.

b. Bonds, including both nominal and real return, are valued on the basis of quoted closing mid-market prices. If quoted closing mid-market prices are not available, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.

c. Securities sold under agreements to repurchase and securities purchased under agreements to resell are valued using discounted cash flows based on current market yields.

d. Public equities are valued at quoted closing mid-market prices. When the market for a public equity is not active, management assesses whether the quoted prices represent fair value. If not, management adjusts the quoted prices or estimates the fair value by using appropriate techniques including valuation models.

e. Real estate, private equities, infrastructure, timberland, and natural resources are valued based on estimated fair values determined by using appropriate valuation techniques. Where external valuation advisors are engaged by management in the valuation process, management ensures the advisors are independent and assesses whether the assumptions used by the valuation advisors are reasonable and supportable based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment.

   At least 70% of the value of the rental property portfolio covering all product types and geographic regions is independently appraised annually. Real estate properties with a value of over $250 million are independently appraised annually.

Private equity funds are recorded at fair value based on net asset values obtained from each of the funds' administrators or funds' managers. These net asset values are reviewed by management.

f. Derivative financial instruments are recorded at fair value using market prices where available. Where quoted market values are not readily available, appropriate alternative valuation techniques are used to determine fair value. In determining fair value, consideration is also given to the credit risk of the counterparty through the calculation of a credit valuation adjustment.

g. Alternative investments, comprised primarily of hedge funds, credit funds, and public equity funds are recorded at fair value based on net asset values obtained from each of the funds' administrators or funds' managers. These net asset values are reviewed by management.

Ontario Teachers' uses a number of valuation techniques to determine the fair value of investments for which observable prices in active markets are not available. These techniques include: valuation methodologies based on observable prices for similar investments; present-value approaches where future cash flows generated by the investment are estimated and then discounted using a risk-adjusted discount rate; and option-pricing models. The principal inputs to these valuation techniques are listed below. Values between and beyond available data points may be obtained by interpolation and extrapolation.

- Bond prices – quoted prices are generally available for government bonds, certain corporate bonds and some other debt-related products.

- Credit spreads – where available, are derived from prices of credit default swaps or other credit-based instruments, such as debt securities. For others, credit spreads are obtained from pricing services.

- Interest rates – principally derived from benchmark interest rates such as quoted interest rates from central banks and in swap, bond and futures markets. Benchmark interest rates are considered when determining discount rates used in the present-value approaches.

- Foreign currency exchange rates – there are observable markets for spot forward, and futures in all major currencies.

- Public equity and equity index prices – quoted prices are generally readily available for equity shares listed on the stock exchanges and for indices.

- Commodity prices – commodities are actively traded in spot, forward and futures markets.

- Price volatilities and correlations – volatility is a measure of the tendency of a specific price to change over time. Correlation measures the degree to which two or more prices or other variables are observed to have moved together historically. Volatility is an input in valuing options and certain products such as derivatives with more than one underlying variable that is correlation-dependent. Volatility and correlation values are either obtained from broker quotations, from pricing services, or are derived from quoted option prices.

- Forecasts on operating cash flows of real estate, private equities, infrastructure, and natural resources – include assumptions on revenue, revenue growth, expenses, capital expenditures, and capital structure. They are generally provided by either management of the companies in which Ontario Teachers' invests or external managers. Additional assumptions from external parties, for example, external appraisers, may also be used in the forecast.

Ontario Teachers' refines and modifies its valuation techniques as markets and products develop and the pricing for individual products becomes more transparent.

While Ontario Teachers' believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions could result in different estimates of fair value at the balance sheet date. Management's assessment of the sensitivity to changes in assumptions for investments in Level 3 is presented in NOTE 2b.

Ontario Teachers' follows a comprehensive valuation process that includes consideration of the impact that changes in macroeconomic factors have on the valuations of its investments and investment-related liabilities as of the date of these consolidated financial statements. These valuations are sensitive to key assumptions and drivers that are subject to material changes. Please see NOTE 2b for sensitivity analysis.

Fair value hierarchy
Investment assets and investment-related liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 – unobservable inputs.

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Trade-date reporting
Investment transactions are recorded when the risks and rewards of ownership are transferred. Purchases and sales of publicly traded investments and derivative contracts are recorded as of the trade date.

Net investment income
Dividend income is recognized based on the ex-dividend date, and interest income is recognized on the accrual basis as earned. Net investment income also includes both realized and unrealized gains and losses. Unrealized gains and losses are recognized only when the fair value of the investment is based on a quoted market price in an active market or a valuation using appropriate valuation techniques is performed and approved by management.

Transaction costs
Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs are expensed as incurred. Any transaction amounts received by Ontario Teachers' that are directly attributable to the acquisition of an investment are netted against transaction costs paid.

Management fees
Management and performance fees for external investment managers and administrators are expensed as incurred. Management fees incurred by, and presented on a net basis in the fair value of, the underlying investments are included in net gain (loss) on investments. Management fees include incremental costs incurred with external parties that are directly attributable to existing investments and are not related to acquisition or disposal.

Interest Rate Benchmark Reform
In 2021, the U.K. Financial Conduct Authority (FCA) recommended that the publication of the interest rate benchmark LIBOR (London Interbank Offered Rate) ceased on June 30, 2023 and that markets adopt alternative risk-free rates (RFRs). Ontario Teachers' ceased adding new LIBOR-based exposures as of December 31, 2021 and has since transitioned all LIBOR based contracts to those with alternative RFRs.

In 2022, Refinitiv Benchmark Services (U.K.) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), an interest rate benchmark subject to the U.K. Benchmark Regulation (BMR), announced that the calculation and publication of all tenors of CDOR will cease on June 28, 2024 and that the markets adopt alternative RFRs. Ontario Teachers' ceased adding new CDOR exposures as of June 30, 2023 and has since transitioned all CDOR based contracts to those with alternative RFRs.

(d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the year-end date. Income and expenses are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions. The realized and unrealized gains and losses arising from these translations are included in net investment income.

(e) Accrued pension benefits

The value of accrued pension benefits and changes therein during the year are based on an actuarial valuation prepared by an independent actuary (Mercer (Canada) Limited). The valuation is performed annually as at August 31 and then extrapolated to year end. It uses the projected benefit method pro-rated on service and management's best estimate, as at the valuation date, of various economic and non-economic assumptions.

As described in paragraph (f) of the Description of Plan note, the inflation protection level for pension credit earned after December 31, 2009 is conditional, depending on the Plan's funded status. For financial statement valuations, future pension payments are indexed at the levels stated in the most recent funding valuation filing.

(f) Contributions

Contributions from the members, the Province of Ontario and designated employers are recorded on an accrual basis. Cash received from members for credited service and cash transfers from other pension plans are recorded when received.

(g) Benefits

Benefit payments to members and others, commuted value payments and refunds to former members, and transfer payments to other plans are recorded in the period in which they are paid. Any benefit payment accruals not paid are reflected in accrued pension benefits.

(h) Premises and equipment

Premises and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Premises and equipment also include the right-of-use asset recognized under IFRS 16, *Leases*.

(i) Use of estimates

In preparing these consolidated financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities, and related income and expenses. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances. The effect of a change in an estimate or assumption is recognized in the period in which the estimate or assumption is revised. Significant estimates and assumptions are used primarily in the determination of accrued pension benefits and the fair value of investments and investment-related receivables and liabilities. NOTE 4 explains how estimates and assumptions are used in determining accrued pension benefits and NOTE 1c explains how estimates and assumptions are used to derive the fair value of investments and investment-related receivables and liabilities.

(j) Contingencies

A contingent liability is a possible obligation that depends on the occurrence or non-occurrence of one or more future events not controlled by Ontario Teachers'. Contingent liabilities are not recognized but the nature and extent are disclosed in the notes to the consolidated financial statements. A provision for a present obligation is recognized when a reliable estimate can be determined and the settlement of the obligation is probable.

NOTE 2. Investments

Ontario Teachers' invests, directly or through derivatives, in equities, fixed income, alternative investments, inflation sensitive and real asset investments.

(a) Investments

The schedule below summarizes Ontario Teachers' investments and investment-related liabilities, including net accrued interest and dividends of $453 million (2022 – $417 million):

		2023		2022
As at December 31 (Canadian $ millions)	**Fair Value**	**Cost**	Fair Value	Cost
Equity				
Publicly traded				
Canadian	**$ 2,056**	**$ 1,028**	$ 220	$ 236
Non-Canadian	**19,199**	**17,400**	17,322	16,854
Non-publicly traded				
Canadian	**8,458**	**4,752**	9,975	5,490
Non-Canadian	**58,884**	**40,204**	57,380	38,457
	88,597	**63,384**	84,897	61,037
Fixed income				
Bonds	**58,530**	**57,195**	57,791	59,163
Short-term investments	**21,115**	**21,012**	29,436	29,282
Canadian real-rate products	**9,869**	**7,275**	9,722	7,148
Non-Canadian real-rate products	**2,688**	**2,732**	3,479	3,439
	92,202	**88,214**	100,428	99,032
Alternative investments	**32,206**	**27,287**	29,898	25,395
Inflation sensitive				
Commodities	**1,374**	**853**	1,231	853
Timberland	**3,083**	**1,871**	2,382	1,273
Natural resources	**8,464**	**7,697**	7,936	6,674
	12,921	**10,421**	11,549	8,800
Real assets				
Real estate[1]	**28,315**	**24,449**	28,222	21,837
Infrastructure	**39,355**	**29,946**	40,131	27,727
	67,670	**54,395**	68,353	49,564
	$ 293,596	**$ 243,701**	$ 295,125	$ 243,828

1 Real estate properties as at December 31, 2023 are presented net of liabilities of $5,476 million (2022 – $4,661 million), which include issued debt with fair value of $2,504 million (2022 – $2,421 million). None of the outstanding liabilities at December 31, 2023 or December 31, 2022 were guaranteed by Ontario Teachers'.

As at December 31 (Canadian $ millions)	**2023** Fair Value	Cost	2022 Fair Value	Cost
Investment-related receivables				
Securities purchased under agreements to resell	**$ 8,129**	**$ 8,258**	$ 10,723	$ 10,598
Cash collateral deposited under securities borrowing arrangements	**109**	**109**	2,296	2,296
Cash collateral paid under credit support annexes	**20**	**20**	13	13
Derivative-related, net	**3,481**	**2,171**	3,113	1,891
	11,739	**10,558**	16,145	14,798
Total investments	**$ 305,335**	**$ 254,259**	$ 311,270	$ 258,626
Investment-related liabilities				
Securities sold under agreements to repurchase	**(23,795)**	**(23,962)**	(26,316)	(26,136)
Securities sold but not yet purchased				
Equities	**(2,095)**	**(1,964)**	(2,322)	(2,376)
Fixed income	**(4,086)**	**(3,945)**	(8,396)	(8,987)
Commercial paper	**(2,557)**	**(2,577)**	(2,640)	(2,568)
Term debt	**(25,898)**	**(28,354)**	(24,099)	(27,330)
Cash collateral received under credit support annexes	**(909)**	**(909)**	(1,121)	(1,121)
Derivative-related, net	**(2,072)**	**(890)**	(2,237)	(966)
	(61,412)	**(62,601)**	(67,131)	(69,484)
Net investments (NOTE 2d)	**$ 243,923**	**$ 191,658**	$ 244,139	$ 189,142

(b) Fair value hierarchy

The schedule below presents Ontario Teachers' investments and investment-related liabilities within the fair value hierarchy as outlined in NOTE 1c:

As at December 31 (Canadian $ millions)	Level 1	Level 2	Level 3	**2023** Total
Equity	**$ 21,255**	**$ 404**	**$ 66,938**	**$ 88,597**
Fixed income	**70,229**	**19,017**	**2,956**	**92,202**
Alternative investments	**–**	**–**	**32,206**	**32,206**
Inflation sensitive	**1,374**	**–**	**11,547**	**12,921**
Real assets	**1,031**	**283**	**66,356**	**67,670**
Investment-related receivables	**204**	**11,470**	**65**	**11,739**
Investment-related liabilities	**(5,219)**	**(56,173)**	**(20)**	**(61,412)**
Net investments	**$ 88,874**	**$ (24,999)**	**$ 180,048**	**$ 243,923**

As at December 31 (Canadian $ millions)	Level 1	Level 2	Level 3	2022 Total
Equity	$ 17,542	$ 1,892	$ 65,463	$ 84,897
Fixed income	78,595	20,421	1,412	100,428
Alternative investments	–	–	29,898	29,898
Inflation sensitive	1,231	–	10,318	11,549
Real assets	744	206	67,403	68,353
Investment-related receivables	2,336	13,793	16	16,145
Investment-related liabilities	(11,348)	(55,779)	(4)	(67,131)
Net investments	$ 89,100	$ (19,467)	$ 174,506	$ 244,139

Due to changes in the characteristics of investments and availability of observable inputs, investments valued at $1,799 million (2022 – $379 million) were transferred from Level 2 to Level 1 and investments valued at $9 million (2022 – $nil) were transferred from Level 1 to Level 2.

The schedule below presents a reconciliation of investments and investment-related receivables/(liabilities) measured at fair value using significant unobservable inputs (Level 3) during the year. Realized and unrealized gains/(losses) are included in investment income.

(Canadian $ millions)	Equity	Fixed Income	Alternative Investments	Inflation Sensitive	Real Assets	Investment-Related Receivables	Investment-Related Liabilities	2023 Total
Balance, beginning of year	**$ 65,463**	**$ 1,412**	**$ 29,898**	**$ 10,318**	**$ 67,403**	**$ 16**	**$ (4)**	**$ 174,506**
Purchases	**7,028**	**1,661**	**4,841**	**1,877**	**7,300**	**60**	**–**	**22,767**
Sales	**(6,633)**	**(70)**	**(3,106)**	**(258)**	**(3,085)**	**–**	**(8)**	**(13,160)**
Transfers in[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers out[1]	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Gains/(losses) included in investment income[2]	**1,080**	**(47)**	**573**	**(390)**	**(5,262)**	**(11)**	**(9)**	**(4,066)**
Balance, end of year	**$ 66,938**	**$ 2,956**	**$ 32,206**	**$ 11,547**	**$ 66,356**	**$ 65**	**$ (20)**	**$ 180,048**

1 Transfers in and transfers out of Level 3 are due to the change in the availability of observable inputs used for fair value measurement of investment assets or related liabilities. See NOTE 1c Fair Value Hierarchy.

2 Includes realized gains from investments of $2,124 million and change in unrealized gains (losses) from investments of $(6,190) million.

(Canadian $ millions)	Equity	Fixed Income	Alternative Investments	Inflation Sensitive	Real Assets	Investment-Related Receivables	Investment-Related Liabilities	2022 Total
Balance, beginning of year	$ 59,598	$ 824	$ 23,409	$ 9,432	$ 57,261	$ 52	$ (2,017)	$ 148,559
Purchases[1]	8,411	757	10,111	878	16,169	2	–	36,328
Sales	(5,840)	(144)	(5,741)	(1,706)	(3,988)	(7)	–	(17,426)
Transfers in[2]	–	–	–	–	(5,489)	(3)	(3,495)	(8,987)
Transfers out[2]	–	–	–	–	–	(1)	5,492	5,491
Gains/(losses) included in investment income[1,3]	3,294	(25)	2,119	1,714	3,450	(27)	16	10,541
Balance, end of year	$ 65,463	$ 1,412	$ 29,898	$ 10,318	$ 67,403	$ 16	$ (4)	$ 174,506

1 Prior period comparative has been updated to conform to current year's presentation (as described in NOTE 1a).

2 Transfers in and transfers out of Level 3 are due to the change in the availability of observable inputs used for fair value measurement of investment assets or related liabilities. See NOTE 1c Fair Value Hierarchy. Transfers into real assets and transfers in and out of investment-related liabilities reflect the impact of a change in presentation for real estate.

3 Includes realized gains from investments of $2,907 million and change in unrealized gains from investments of $7,634 million.

Sensitivity to changes in assumptions for investments in Level 3

The following table illustrates the impact to fair value for certain investments in Level 3 when changing the significant inputs to reasonable alternative assumptions.

(Canadian $ millions)	Significant Inputs	Change in Significant Inputs	**2023 Increase/ (Decrease) to Fair Value**	2022 Increase/ (Decrease) to Fair Value
Non-publicly traded equity	Multiple[4]	+/- 5%[5]	**$ 4,095/(4,103)**	$ 3,686/(3,670)
Infrastructure and Natural resources	Discount Rate	+/- 0.50%	**3,716/(3,397)**	3,655/(3,316)
Real estate	Capitalization Rate	+/- 0.50%	**2,373/(1,912)**	2,461/(2,062)

4 Primarily reflects enterprise value/EBITDA (earnings before interest, taxes, depreciation and amortization) multiples. However, in certain cases, other metrics were used where they were determined to be more appropriate (e.g., revenue multiples or asset-based multiples).

5 Reasonable alternative assumptions have been updated as of December 31, 2023 to reflect management's assessment for the current period end. Prior period comparative has been updated to conform to current year's presentation.

The above analysis excludes (i) investments of $52.0 billion (2022 – $48.8 billion) where fair values are based on information provided by the external funds' administrators or funds' managers as Ontario Teachers' does not have access to the assumptions and methodologies used to determine the fair value of these underlying investments and ii) investments of $8.8 billion (2022 – $7.3 billion) where, in management's judgement, changing one or more of the inputs to a reasonable alternative assumption would not change the fair value significantly.

(c) Derivative contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, commodities, indices, interest rates or currency rates. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges.

Notional amounts of derivative contracts represent the contractual amount to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. They do not necessarily indicate the amounts of future cash flow involved or the current fair value of the derivative contracts and, therefore, do not necessarily indicate Ontario Teachers' exposure to credit or market risks. The derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in either market rates or prices relative to their terms. The aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

Derivative contracts, transacted either in the OTC market or on regulated exchanges, include:

Swaps
Swaps are OTC contracts in which two counterparties exchange a series of cash flows based on agreed upon rates to a notional amount. The various swap agreements that Ontario Teachers' enters into are as follows:

Equity and commodity swaps are contracts in which one counterparty agrees to either pay or receive from the other cash flows based on changes in the value of either an equity or commodity index, a basket of stocks or commodities, or a single stock or commodity.

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount. Certain interest rate swaps traded with U.S. counterparties in the OTC market are centrally cleared at regulated clearing houses.

Currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency.

Credit default swaps provide protection against the decline in value of the referenced asset as a result of specified events such as payment default or insolvency. These swaps are similar in structure to an option whereby the purchaser pays a premium to the seller of the credit default swap in return for payment related to the deterioration in the value of the referenced asset. The referenced asset for credit default swaps is a debt instrument. Certain credit default swaps traded with U.S. counterparties in the OTC market are centrally cleared at regulated clearing houses.

Other credit swaps are contracts in which one counterparty agrees to pay or receive from the other cash flows based on changes in the value of the referenced asset.

Forwards and futures
Futures are standardized contracts traded on regulated future exchanges, whereas forward contracts are negotiated agreements that are transacted between counterparties in the OTC market. Examples of futures and forwards are described below:

Equity and commodity futures are contractual obligations to either buy or sell at a fixed value (the contracted price) of an equity or commodity index, a basket of stocks, a single stock or commodities at a predetermined future date.

Interest rate futures are contractual obligations to either buy or sell an interest rate sensitive financial instrument on a predetermined future date at a specified price.

Currency forwards and futures are contractual obligations to exchange one currency for another at a specified price or settlement at a predetermined future date.

Options
Options may be either acquired in standardized amounts on regulated exchanges or customized and acquired in the OTC market. They are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option), a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. The various option agreements that Ontario Teachers' enters into include equity and commodity options, interest rate options, and foreign currency options.

Other derivative products

Ontario Teachers' also transacts in other derivative products including statistic swaps and dividend swaps in the OTC market. An investor may trade the statistic swaps with the objective of adding value or hedging for risks associated with the magnitude of movement, i.e., volatility, variance, correlation, covariance of some underlying products, such as exchange rates, or stock indexes. Dividend swaps are OTC contracts where an investor agrees to match all dividends paid out by an underlying stock or index over a specified time period. In return, the dividend payer receives a fixed amount at expiry called the dividend swap rate. These products are included in the table below based on their underlying referenced product.

The following schedule summarizes the notional amounts and fair value of Ontario Teachers' derivative contracts held as at December 31:

		2023			2022		
			Fair Value			Fair Value	
(Canadian $ millions)		**Notional**	**Assets**	**Liabilities**	Notional	Assets	Liabilities
Equity and commodity derivatives							
Swaps		**$ 32,736**	**$ 616**	**$ (576)**	$ 39,775	$ 752	$ (524)
Futures		**32,226**	**–**	**–**	23,535	–	–
Options: Listed	– purchased	**595**	**2**	**–**	1,296	17	–
	– written	**–**	**–**	**–**	378	–	(10)
OTC	– purchased	**34,997**	**523**	**–**	23,056	1,389	–
	– written	**27,682**	**–**	**(142)**	18,760	–	(241)
		128,236	**1,141**	**(718)**	106,800	2,158	(775)
Interest rate derivatives							
Swaps		**64,813**	**130**	**(63)**	110,159	171	(60)
Futures		**82,202**	**–**	**–**	75,012	–	–
Options: Listed	– purchased	**4,676**	**–**	**–**	–	–	–
	– written	**4,676**	**–**	**–**	–	–	–
OTC	– purchased	**22,530**	**307**	**(11)**	15,270	155	–
	– written	**32,063**	**10**	**(238)**	21,723	–	(125)
		210,960	**447**	**(312)**	222,164	326	(185)
Currency derivatives							
Swaps		**242**	**6**	**(5)**	621	5	(28)
Forwards		**67,507**	**1,518**	**(351)**	65,512	281	(641)
Options: OTC	– purchased	**26,723**	**37**	**–**	26,572	199	–
		94,472	**1,561**	**(356)**	92,705	485	(669)
Credit derivatives							
Credit default swaps	– purchased	**147,132**	**54**	**(286)**	70,152	33	(109)
	– written	**154,224**	**226**	**(83)**	74,430	92	(208)
Swaps		**66**	**3**	**–**	68	3	–
		301,422	**283**	**(369)**	144,650	128	(317)
		735,090	**3,432**	**(1,755)**	566,319	3,097	(1,946)
Net cash collateral paid/(received) under derivative contracts			**49**	**(317)**		16	(291)
Notional and fair value of derivative contracts		**$ 735,090**	**$ 3,481**	**$ (2,072)**	$ 566,319	$ 3,113	$ (2,237)

(d) Investment asset mix

Direct investments, derivative contracts, and investment-related receivables and liabilities are classified by asset mix category based on the intent of the investment strategies of the underlying portfolios of Ontario Teachers'. Net investments reflecting these classifications are summarized in Canadian dollars below as at December 31:

	2023		2022	
	Effective Net Investments at Fair Value ($ millions)	**Asset Mix %**	Effective Net Investments at Fair Value ($ millions)	Asset Mix %
Equity				
Public equity	**$ 25,361**	**10%**	$ 21,904	9%
Private equity	**58,557**	**24**	58,324	24
Venture growth[1]	**7,461**	**3**	7,331	3
	91,379	**37**	87,559	36
Fixed income				
Bonds	**85,937**	**35**	76,174	31
Real-rate products	**9,870**	**4**	9,824	4
	95,807	**39**	85,998	35
Inflation sensitive				
Commodities	**22,217**	**9**	25,046	10
Natural resources	**11,398**	**5**	10,105	4
Inflation hedge	**11,784**	**5**	12,726	5
	45,399	**19**	47,877	19
Real assets				
Real estate	**28,236**	**12**	28,071	12
Infrastructure	**39,250**	**16**	39,753	16
	67,486	**28**	67,824	28
Credit[1]	**38,558**	**16**	35,212	14
Absolute return strategies	**19,493**	**8**	18,690	8
Funding and other	**(114,199)**	**(47)**	(99,021)	(40)
Net investments	**$ 243,923**	**100%**	$ 244,139	100%

1 Effective January 1, 2023, investments of $7,438 million formerly included in the Innovation asset class are now included in Equity – Venture growth ($7,331 million) and Credit ($107 million) asset classes. Prior period comparative has been updated to conform to current year's presentation.

(e) Risk management

Objectives

Ontario Teachers' primary long-term risk is that the Plan's assets will fall short of its liabilities (i.e., benefits owed to members). Therefore, Ontario Teachers' utilizes an approach of asset diversification. The objective is to achieve a diversification of risks and returns in a manner that seeks to minimize the likelihood of an overall reduction in total fund value and maximize the opportunity for aggregate gains.

Ontario Teachers' also manages its liquidity risk so that there is sufficient liquidity to enable Ontario Teachers' to meet all of its future obligations as they become payable, which include pension payments and meeting mark-to-market payments resulting from Ontario Teachers' derivatives exposure.

As of December 31, 2023, Ontario Teachers' exposures across all risk parameters including market, credit, liquidity and leverage, have remained within the targeted risk tolerances established by the board.

Policies

To apply risk management to investments in a consistent manner, Ontario Teachers' has a number of policies, for example:

- Statement of Investment Policies and Procedures – The statement addresses the manner in which the fund is to be invested. The statement is subject to the board's review at least annually. Ontario Teachers' investments are selected and held in accordance with the criteria and limitations set forth in the statement and in accordance with all relevant legislation. The statement effective for the year ended December 31, 2023 was last amended effective November 22, 2023 and includes the following asset class exposure limits:

	Asset Mix % Minimum	Asset Mix % Maximum
Equities[1]	30%	45%
Fixed income	0%	67%
Inflation sensitive	15%	25%
Real assets	25%	37%
Credit	10%	20%
Absolute return strategies	4%	14%
Funding for Investments[2]	(108)%	10%

1 Effective January 1, 2023, holdings formerly included in the Innovation asset class are now included in the Equity and Credit asset classes. See NOTE 2d Investment Asset Mix.

2 Includes term debt, bond repurchase agreements, implied funding from derivatives, unsecured funding, and liquidity reserves.

- Board Investment Policy – The policy addresses the risks that are relevant and material at the total-fund level. The policy sets ranges for allocations to the asset classes and foreign currency. Management determines exposure within these approved ranges. The policy also specifies the total asset risk parameters, total fund active risk budget, liquidity requirements and board approvals required for different types of investments. The board approves this policy and reviews it at least annually.

- CEO (Chief Executive Officer) Investment Risk Policy – This policy articulates CEO oversight of the Investment Division and the associated roles and responsibilities of the Investment Division, Risk and other functional partners.

- Investment Division Policy – This policy outlines the CIO's (Chief Investment Officer) oversight of the Investment Division for the purpose of undertaking the investment and risk management of the fund. The policy specifies the active risk budget for each investment department and CIO approvals required for different types of investments.

- Portfolio policies for each investment department – These policies are developed to apply to the individual portfolios within each asset class managed by the Investment Division. Portfolio policies include the departments' investment strategies, operating procedures, investment constraints, key risks and a description of how the risks will be managed and reporting requirements for each investment department.

- Trading Operations Policy – This policy specifies operational requirements within the Investment Division to trade on regulated exchanges and in OTC markets.

- Investment Division Counterparty Credit Policy – This policy applies to investments with credit risk exposure that arises from entering into certain counterparty agreements. The policy provides constraints on counterparty credit exposure and procedures for obtaining authorization to trade with a new counterparty.

- Pre-Investment Approval Policy – This policy formalizes the procedures to ensure the data needed for trade capture, pricing, risk management, and accounting is accurate, complete, and can be entered into Ontario Teachers' systems of record on a timely basis prior to commencement of trading.

Processes
Board members approve strategic plans, budgets, risk appetite, the acceptable range of risk, investment policies, benchmarks, performance, compensation and succession plans recommended by management. They monitor investment, operational, strategic and governance risks, and ensure appropriate mitigation plans are in place.

Ontario Teachers' uses risk budgeting to allocate active risk across the investment asset classes. The active risk budget for the fund is presented to the board annually for review and approval. Each investment department is responsible for managing the investment risks associated with the investments they manage within the active risk budget allocated to them. The Finance Division independently measures investment risk exposures and the liquidity position on a daily basis. Exposures are provided to the Investment Division daily and the Investment Committee of the Board on at least a quarterly basis.

Each investment department has an investment committee, or an equivalent, which meets regularly to assess the investment risks associated with the portfolios it manages and determines action plans, if required. Individual managers in each investment department receive limited authority to invest from the board by sub-delegation from senior management. Investment constraints and approval requirements are set out in the portfolio policies for the department, the Investment Division Policy, the CEO Investment Risk Policy and/or the Board Investment Policy. For investments not traded on exchanges, such as alternative investments and private equity investments, the investment departments conduct due diligence before acquisition and use it as a tool to monitor the investments after acquisition. The objective is to obtain as much transparency as possible for the departments to assess the risk exposure arising from these private and alternative investments.

Senior representatives from each investment department are members of one or both of the Investment Committee – Total Fund (IC – TF) and Investment Committee – Global Privates & Illiquids (IC – GPI), chaired by the CIO.

- The IC-TF is responsible for considerations around the overall investment program with a focus on managing investment risks at the total-fund level. This committee brings together the experience, investment and business judgment required for assessing and managing market, credit and liquidity risks on a regular basis. It monitors the currency positions, interest rate risk and liquidity risk at the total-fund level.

- The IC-GPI is responsible for the oversight of private market or illiquid transactions and the overall private portfolio composition.

The Chief Risk Officer is a member of both Committees. The Chief Legal & Corporate Affairs Officer or a delegate attends the IC-GPI meetings in an advisory capacity. The committees meet at least every other week.

The CEO chairs the Enterprise Risk & Governance Committee and the Investor Stewardship Committee.

- The Enterprise Risk & Governance Committee (ER&GC) is management's senior governance committee interpreting the Board's risk appetite and providing governance on factors that may have a significant impact on Ontario Teachers' strategy, performance and/or reputation. The CEO's executive team and other senior individuals are members of this committee.

- The Investor Stewardship Committee (ISC) is management's senior committee overseeing Ontario Teachers' stewardship activities, including proxy voting, engagement and advocacy efforts, in accordance with Ontario Teachers' Responsible Investing Principles. The CIO, Chief Risk Officer, and senior representatives from each investment department are members of this committee and it is chaired by the CEO.

(f) Credit risk

Ontario Teachers' is exposed to the risk that a counterparty defaults or becomes insolvent. Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk may arise directly from an obligor, an issuer of securities, or indirectly from a guarantor of a credit obligation.

Credit risk management
Ontario Teachers' actively manages its credit exposures. When exposure is deemed high Ontario Teachers' takes action to mitigate the risks. Such actions may include reducing exposures and/or using derivatives.

Ontario Teachers' enters into agreements with counterparties to limit its exposure to credit losses. An International Swaps and Derivatives Association (ISDA) Master Agreement is executed with most OTC derivative counterparties, which allows both parties to settle obligations on a net basis when termination or other predetermined events occur. Ontario Teachers' also negotiates collateral agreements known as Credit Support Annexes (CSAs) with key counterparties to further mitigate counterparty credit risk. A CSA gives Ontario Teachers' the power to realize collateral posted by counterparties in the event of a default by such counterparties. Ontario Teachers' and its OTC derivative counterparties maintain initial margin collateral in third-party custodial accounts to support OTC derivative trading. Repurchase agreements are also collateralized from trade inception forward. NOTE 2i provides further details on collateral pledged and received.

Ontario Teachers' has a credit risk assessment process to approve prospective new counterparties and to monitor authorized counterparties for derivative contracts, repurchase and reverse repurchase agreements, securities borrowing agreements, prime broker relationships and futures, options, and fixed income clearing. Ontario Teachers' deals primarily with counterparties that have an investment grade credit rating. Policies are in place to limit the maximum exposures to any individual counterparty for derivative contracts or repurchase and reverse repurchase agreements, prime broker relationships and futures and options clearing.

Maximum exposure to credit risk before collateral held
Ontario Teachers' assumes credit risk exposure through debt investments and amounts receivable from the Province of Ontario and brokers. The maximum exposure to credit risk related to these financial instruments is their value as presented in the consolidated statements of financial position and NOTE 2a. Ontario Teachers' is also exposed to credit risk of counterparties to its OTC derivative transactions. Counterparty credit risk exposure for OTC derivatives is measured as the net positive fair value of the contractual obligations.

Counterparties are assigned a credit rating as determined by Ontario Teachers' internal credit risk management function. Counterparty default risk and credit exposures are monitored on a daily basis. External credit ratings as provided by recognized credit rating agencies are also monitored on a daily basis.

The credit risk exposure of debt investments and OTC derivatives, by credit rating category, without taking account of any collateral held or other credit enhancements as at December 31 is as follows:

					2023
Credit rating (Canadian $ millions)	**Bonds and Short-term investments**	**Real-rate products**	**Securities purchased under agreements to resell**	**Loans and Private debt**	**OTC Derivatives**
AAA/R-1 (high)	**$ 56,389**	**$ 10,129**	**$ –**	**$ –**	**$ –**
AA/R-1 (mid)	**961**	**778**	**1,056**	**–**	**342**
A/R-1 (low)	**5,096**	**1,642**	**7,073**	**–**	**1,595**
BBB/R-2	**1,738**	**–**	**–**	**–**	**–**
Below BBB/R-2	**10,986**	**–**	**–**	**–**	**–**
Unrated[1]	**4,475**	**8**	**–**	**16,247**	**–**
	$ 79,645	**$ 12,557**	**$ 8,129**	**$ 16,247**	**$ 1,937**

					2022
Credit rating (Canadian $ millions)	Bonds and Short-term investments	Real-rate products	Securities purchased under agreements to resell	Loans and Private debt	OTC Derivatives
AAA/R-1 (high)	$ 64,409	$ 9,451	$ –	$ –	$ –
AA/R-1 (mid)	954	2,129	1,479	–	242
A/R-1 (low)	5,945	1,607	5,727	–	1,371
BBB/R-2	1,808	–	–	–	–
Below BBB/R-2	11,060	–	–	–	–
Unrated[1]	3,051	14	3,517	15,149	–
	$ 87,227	$ 13,201	$ 10,723	$ 15,149	$ 1,613

1 Unrated comprises securities that are either privately held, managed externally, or not rated by the rating agencies.

Ontario Teachers' is also exposed to credit risk through off-balance sheet arrangements as shown in the table below. For off-balance sheet guarantees, the maximum exposure to credit risk is the maximum amount that Ontario Teachers' would have to pay if the guarantees were to be called upon. For loan commitments, the maximum exposure is the committed amount under the agreements. For credit derivatives, the maximum exposure is the notional amount of written credit derivatives (as presented in NOTE 2c).

As at December 31 (Canadian $ millions)	**2023**	2022
Guarantees	**$ 915**	$ 947
Loan commitments	**317**	369
Notional amount of written credit derivatives	**154,224**	74,430
Total off balance sheet credit risk exposure	**$ 155,456**	$ 75,746

While Ontario Teachers' maximum exposure to credit risk is the carrying value of the assets, or, in the case of off-balance sheet items, the amount guaranteed or committed, in most cases the likely exposure is far less due to collateral, credit enhancements (e.g., guarantees in favour of Ontario Teachers') and other actions taken to mitigate Ontario Teachers' exposure, as described previously.

Credit risk concentrations
As at December 31, 2023, Ontario Teachers' has a significant concentration of credit risk with the Government of Canada, the U.S. Treasury and the Province of Ontario. This concentration relates primarily to holding Government of Canada issued securities of $55.4 billion (2022 – $60.7 billion), U.S. Treasury issued securities of $6.9 billion (2022 – $5.5 billion), Province of Ontario bonds of $4.2 billion (2022 – $3.0 billion), and receivable from the Province of Ontario (see NOTE 3) of $3.3 billion (2022 – $3.3 billion).

(g) Market risk

Market risk is the risk of loss that results from fluctuations in various market factors such as equity and commodity prices, interest and foreign exchange rates, and credit spreads. Ontario Teachers' is exposed to market risk through its investing activities. The level of market risk to which Ontario Teachers' is exposed varies depending on macroeconomic factors and considerations such as market conditions, expectations of future price movements, the occurrence of certain catastrophic events (e.g., hurricanes and earthquakes) affecting the prices of insurance linked securities, expectations of future yield movements and the composition of the asset mix.

Market risk management
Ontario Teachers' manages market risk primarily through diversifying the investments across industry sectors, investment strategies and on a global basis. A variety of derivative contracts are also utilized to manage Ontario Teachers' market risk exposures.

Market and credit risk measurement
Ontario Teachers' uses a statistical Value-at-Risk (VaR)-type approach that measures an expected tail loss (ETL) from investment risk comprising of market and credit risk over a one-year horizon at a 99% confidence level. The ETL methodology captures more of the effect of extreme loss events than VaR for the same confidence level as it is an average of all estimated losses in the tail.

Total Asset Risk is prepared using the ETL methodology which captures the investment risk exposure by asset class and reflects the risk of potential losses in net assets due to both market and credit risk factors. Statistically, Ontario Teachers' would expect to see losses approximate to the risk exposure only 1% of the time over a one year period, subject to certain assumptions and limitations discussed below.

The ETL methodology is a statistical approach that accounts for market volatility and credit risk as well as risk diversification achieved by investing in various products and markets. Risks are measured consistently across all markets and products and can be aggregated to arrive at a single risk number. The one-year 99% ETL number used by Ontario Teachers' is generated using a historical simulation and bootstrap sampling approach that reflects the expected annual return on the portfolio in the worst 1% of the scenarios. When sufficient historical data is not available, proxies and statistical methods are used to complete the data series.

There are limitations to the ETL methodology in use. For example, historical data may not provide the best estimate of future changes. It may fail to capture the correlation in asset returns in extreme adverse market movements which have not occurred in the historical period measured. However, the sampling approach and long historical period used, seek to partially mitigate this limitation by enabling the generation of a set of scenarios that include extreme adverse events. These limitations and the nature of the ETL measure mean that Ontario Teachers' losses may exceed the risk exposure amounts indicated in any risk reports.

Ontario Teachers' continuously monitors and enhances the ETL methodology, striving for better estimation of risk exposure.

The ETL as at December 31, 2023 was $48.0 billion (2022 – $50.0 billion).[1]

The specific scenarios that drive the most adverse outcomes can differ by asset class. The ETL for each asset class based on its respective worst 1% of scenarios is shown in the table below:

(Canadian $ billions)[2]	2023	2022
Equity		
Public equity	**$ 8.0**	$ 6.5
Private equity	**23.5**	23.5
Venture growth[3]	**4.5**	5.0
Fixed income		
Bonds	**16.0**	13.5
Real-rate products	**2.0**	2.5
Inflation sensitive		
Commodities	**4.0**	5.5
Natural resources	**2.5**	2.0
Inflation hedge	**2.5**	2.5
Real assets		
Real estate	**5.0**	4.5
Infrastructure	**7.5**	7.5
Credit[3]	**6.0**	5.5
Absolute return strategies	**2.5**	2.5
Funding and other	**33.5**	35.5

1 Total Asset Risk ETL Exposure does not equal the sum of the ETL exposure for each asset class because diversification reduces total risk exposure.

2 Rounded to the nearest $0.5 billion.

3 Effective January 1, 2023, investments formerly included in the Innovation asset class are now included in the Equity – Venture growth and Credit asset classes. Prior period comparative has been updated to conform to current year presentation.

Interest rate risk
Interest rate risk refers to the effect on the market value of Ontario Teachers' assets and liabilities due to fluctuations in interest rates. The value of Ontario Teachers' assets is affected by short-term changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates as well as expectations for salary escalation (NOTE 4).

Ontario Teachers' measures interest rate and inflation risk of relevant asset classes in its asset mix (NOTE 2d):

- The sensitivity to changes in nominal interest rates of bonds and derivative contracts included in its Fixed Income, Credit, Real Asset and Funding and other asset classes – a 1% increase in nominal interest rates would result in a decline in the value of these investments of $7.2 billion (2022– $5.9 billion).

- The sensitivity to changes in real interest rates of real-rate products and derivative contracts included in its Fixed income asset class – a 1% increase in real interest rates would result in a decline in the value of these investments of $1.2 billion (2022 – $0.3 billion).

- The sensitivity of nominal and real-rate securities and derivative contracts that are intended to protect against inflation included in the Fixed income asset class and the Inflation hedge category of Ontario Teachers' Inflation sensitive asset class to changes in market-implied inflation – a 1% decrease in the market-implied rate of inflation would result in a decline in the value of these securities and contracts of $0.6 billion (2022 – $1.6 billion).

Foreign currency risk
Foreign currency exposure arises from Ontario Teachers' holdings of foreign currency-denominated investments and related derivative contracts.

As at December 31, Ontario Teachers' has investments exposed to foreign currency. In Canadian dollars this exposure is as follows:

(Canadian $ millions) Currency	2023 Net Exposure	2022 Net Exposure
United States Dollar	**$ 73,539**	$ 67,555
Euro	**9,113**	9,919
British Pound Sterling	**5,698**	6,625
Mexican Peso	**5,607**	4,700
Chinese Renminbi	**3,910**	4,792
Brazilian Real	**3,515**	2,992
Australian Dollar	**3,285**	2,958
Indian Rupee	**2,850**	2,126
South Korean Won	**2,646**	1,697
Chilean Peso	**2,415**	2,842
Other	**9,145**	8,279
	$ 121,723	$ 114,485

As at December 31, with all other variables and underlying values held constant, a 5% increase/decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate decrease/increase in the value of net investments as follows:

(Canadian $ millions) Currency	2023 Change in Net Investment Value	2022 Change in Net Investment Value
United States Dollar	**$ 3,677**	$ 3,378
Euro	**456**	496
British Pound Sterling	**285**	331
Mexican Peso	**280**	235
Other	**1,388**	1,284
	$ 6,086	$ 5,724

(h) Liquidity risk

Liquidity risk is the risk of being unable to obtain sufficient cash or cash equivalents at a reasonable cost to meet Ontario Teachers' financial obligations in a timely manner, or to support new investment opportunities, under a range of stressed conditions. By maintaining a structurally sound liquidity profile, Ontario Teachers' seeks to ensure sufficient liquidity is available to cover potential cash and collateral outflows under stressed conditions without adversely impacting Ontario Teachers' asset mix while allowing for opportunistic investments.

Liquidity risk management

Ontario Teachers' monitors its liquidity position daily to ensure sufficient liquid assets are available to meet potential cash and collateral requirements and other contingent payments over different time horizons. Available liquid assets primarily consist of sovereign, provincial or territorial government debt, other liquid investment grade debt, publicly traded equity securities, and physical gold after considering the impact of collateral pledged and received, repurchase agreements and securities lending and borrowing arrangements. In assessing Ontario Teachers' liquidity position, factors such as fair value under a market stress event and the portion of available liquid assets earmarked to meet contractual cash flows and other projected cash flows (such as pension payments) are considered. Potential collateral requirements from Ontario Teachers' positions in securities sold short, repurchase agreements, derivatives contracts, and securities lending and borrowing agreements are estimated under stress by a historical simulation of market movements. In addition, stress tests on the overall liquidity position are performed regularly using various historical and hypothetical scenarios.

Liquid assets

As of December 31, 2023, Ontario Teachers' maintains $56.9 billion of available liquid assets (2022 – $59.7 billion).

Contractual maturity

Ontario Teachers' liabilities include accrued pension benefits, investment-related liabilities, due to brokers, accounts payable and accrued liabilities. Due to brokers, accounts payable and accrued liabilities are all due within one year. As Ontario Teachers' may settle securities sold but not yet purchased, cash collateral received under credit support annexes and derivatives at fair value before contractual maturity, they are considered to mature within one year.

Ontario Teachers' investment-related liabilities by maturity as at December 31 are as follows:

				2023
(Canadian $ millions)	**Within One Year**	**One to Five Years**	**Over Five Years**	**Total**
Securities sold under agreements to repurchase	**$ (23,795)**	**$ –**	**$ –**	**$ (23,795)**
Securities sold but not yet purchased				
Equities	**(2,095)**	**–**	**–**	**(2,095)**
Fixed income	**(4,086)**	**–**	**–**	**(4,086)**
Commercial Paper	**(2,557)**	**–**	**–**	**(2,557)**
Term debt[1]	**(2,334)**	**(14,750)**	**(14,121)**	**(31,205)**
Cash collateral received under credit support annexes	**(909)**	**–**	**–**	**(909)**
Derivative-related, net	**(2,072)**	**–**	**–**	**(2,072)**
	$ (37,848)	**$ (14,750)**	**$ (14,121)**	**$ (66,719)**

				2022
(Canadian $ millions)	Within One Year	One to Five Years	Over Five Years	Total
Securities sold under agreements to repurchase	$ (26,316)	$ –	$ –	$ (26,316)
Securities sold but not yet purchased				
Equities	(2,322)	–	–	(2,322)
Fixed income	(8,396)	–	–	(8,396)
Commercial Paper	(2,640)	–	–	(2,640)
Term debt[1]	(2,038)	(13,283)	(14,957)	(30,278)
Cash collateral received under credit support annexes	(1,121)	–	–	(1,121)
Derivative-related, net	(2,237)	–	–	(2,237)
	$ (45,070)	$ (13,283)	$ (14,957)	$ (73,310)

1 Based on undiscounted cash flows. Prior period comparative has been updated to conform to current year's presentation.

(i) Collateral pledged and received

Ontario Teachers' pledges and receives cash and security collateral in the ordinary course of managing net investments. Security collateral consists primarily of Canadian and U.S. government securities. Additional collateral is provided if the value of the securities falls below a predetermined level. The securities transferred are recognized as assets when Ontario Teachers' retains substantially all risks and rewards, including credit risk, settlement risk, and market risk. Ontario Teachers' is not permitted to either pledge the same securities with other financial institutions or to sell them to another entity unless Ontario Teachers' substitutes such securities with other eligible securities. Ontario Teachers' holds the collateral received as long as Ontario Teachers' is not a defaulting party or an affected party in connection with a specified condition listed in the contractual agreement and there is no early termination of the contractual agreement. With the exception of initial margin collateral held in third party custodial accounts, Ontario Teachers' is permitted to either sell or repledge the collateral in the absence of default by the owner of the collateral. The fair value of collateral sold or repledged as at December 31, 2023 is $nil (2022 – $nil).

Ontario Teachers' engages in securities borrowing and lending transactions and pledges and receives associated collateral. Ontario Teachers' does not recognize any securities borrowed as its investment assets or derecognize securities lent because the risks and rewards of the borrowed securities remain with the lenders.

The fair value of collateral pledged and received, as well as the securities purchased under agreements to resell and sold under agreements to repurchase and securities borrowed and lent as at December 31 are as follows:

(Canadian $ millions)	2023	2022
Securities purchased under agreements to resell and sold under agreements to repurchase		
Gross amounts of securities purchased under agreements to resell[1]	**$ 13,325**	$ 14,647
Collateral held	**14,075**	14,537
Gross amounts of securities sold under agreements to repurchase[1]	**28,991**	30,240
Collateral pledged	**30,017**	30,701
Securities borrowing and lending		
Securities borrowed	**2,194**	2,322
Collateral pledged[2]	**2,668**	2,618
Derivative-related		
Collateral received[3]	**2,567**	3,560
Collateral pledged[4]	**5,881**	6,905

1 See NOTE 2j for reconciliation of total gross amount to net amounts presented in NOTE 2a.

2 Includes cash collateral of $109 million (2022 – $2,296 million).

3 Includes cash collateral of $909 million (2022 – $1,121 million) and initial margin collateral of $506 million (2022 – $1,862 million).

4 Includes cash collateral of $20 million (2022 – $13 million) and initial margin collateral of $475 million (2022 – $1,450 million).

(j) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. For certain derivatives, gross amounts include the daily settlement of variation margin which is netted against the fair value of the derivatives. Certain repurchase agreement transactions settled through a central clearing counterparty satisfy the offsetting criteria.

Ontario Teachers' enters into agreements with counterparties such as the International Swaps and Derivatives Association (ISDA) Master Agreements and Global Master Repurchase Agreements (GMRAs) to mitigate its exposure to credit losses (see NOTE 2f). These agreements provide rights to allow the parties to settle obligations on a net basis when certain predetermined events occur. When these rights of offset are conditional, the related amounts are not netted in the Consolidated Statement of Financial Position.

The impact of these arrangements as at December 31 is presented in the following table:

						2023
(Canadian $ millions)	**Gross amounts**	**Less: Amounts offset**	**Net amount presented in NOTE 2a**	**Amounts subject to netting agreements**	**Securities and cash collateral[1]**	**Net Exposure**
Financial assets						
Securities purchased under agreements to resell	**$ 13,325**	**$ (5,196)**	**$ 8,129**	**$ (6,492)**	**$ (1,632)**	**$ 5**
Derivative-related receivables	**3,481**	**–**	**3,481**	**(1,490)**	**(1,888)**	**103**
	$ 16,806	**$ (5,196)**	**$ 11,610**	**$ (7,982)**	**$ (3,520)**	**$ 108**
Financial liabilities						
Securities sold under agreements to repurchase	**$ (28,991)**	**$ 5,196**	**$ (23,795)**	**$ 6,492**	**$ 17,294**	**$ (9)**
Derivative-related liabilities	**(2,072)**	**–**	**(2,072)**	**1,490**	**355**	**(227)**
	$ (31,063)	**$ 5,196**	**$ (25,867)**	**$ 7,982**	**$ 17,649**	**$ (236)**

						2022
(Canadian $ millions)	Gross amounts	Less: Amounts offset	Net amount presented in NOTE 2a	Amounts subject to netting agreements	Securities and cash collateral[1]	Net Exposure
Financial assets						
Securities purchased under agreements to resell	$ 14,647	$ (3,924)	$ 10,723	$ (10,446)	$ (273)	$ 4
Derivative-related receivables	3,113	–	3,113	(1,452)	(1,592)	69
	$ 17,760	$ (3,924)	$ 13,836	$ (11,898)	$ (1,865)	$ 73
Financial liabilities						
Securities sold under agreements to repurchase	$ (30,240)	$ 3,924	$ (26,316)	$ 10,446	$ 15,842	$ (28)
Derivative-related liabilities	(2,237)	–	(2,237)	1,452	674	(111)
	$ (32,477)	$ 3,924	$ (28,553)	$ 11,898	$ 16,516	$ (139)

1 Securities and cash collateral exclude over-collateralization and collateral in transit. See NOTE 2i for the total amount of collateral.

(k) Significant investments

Investments with either a fair value or cost exceeding 1% of the fair value or cost, respectively, of total net investment assets as at December 31 are as follows:

(Canadian $ millions)			2023				2022
	Number of Investments	**Fair Value**	**Cost**	Number of Investments	Fair Value		Cost
Public investments[1]	**10**	**$ 42,450**	**$ 39,525**	14	$ 57,404	$	56,494
Private investments[2]	**11**	**30,379**	**21,564**	10	30,404		19,072
	21	**$ 72,829**	**$ 61,089**	24	$ 87,808	$	75,566

1 As at December 31, 2023, includes fixed income investments in Government of Canada Bonds, Government of Canada treasury bills, Real-return Government of Canada bonds and U.S. treasury bills.

2 As at December 31, 2023, includes ownership interests in: BroadStreet Capital Partners, Inc., Caruna, Heritage Royalty Limited Partnership, IDEAL Group, SSEN Transmission, Storapod Holding Company, Inc., The Brussels Airport Company; Fund investments in: Baldr Fund Inc., EWP PA Fund, LTD.; and Real estate: Toronto-Dominion Centre Office Complex, Toronto Eaton Centre.

NOTE 3. Receivable from the Province of Ontario

The receivable from the Province of Ontario consists of required matching contributions and interest thereon.

As at December 31 (Canadian $ millions)	**2023**	2022
Contributions receivable	**$ 3,246**	$ 3,249
Accrued interest receivable	**38**	49
	$ 3,284	$ 3,298

The receivable as at December 31, 2023, from the Province of Ontario consists of $1,643 million, which was received in January 2024, and an estimated $1,641 million to be received with interest in January 2025. The receivable as at December 31, 2022, from the Province of Ontario consisted of $1,656 million, which was received in January 2023, and an initial estimate of $1,642 million which was received in January 2024. The difference between the initial estimates and the actual amount received was primarily due to additional interest accrued between the period of estimate and time of receipt.

NOTE 4. Accrued pension benefits

(a) Actuarial assumptions and methods

The actuarial assumptions used in determining the value of accrued pension benefits of $211,393 million (December 31, 2022 – $206,197 million) reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, the salary escalation rate and the inflation rate. The discount rate is based on market rates, as at the valuation date, of bonds issued by the Province of Ontario, which have characteristics similar to obligations under the Plan. The discount rate was determined by applying a weighted average discount rate that reflects the estimated timing and amount of benefit payments. The inflation rate is the geometric difference between the yield on Government of Canada long-term nominal bonds and Government of Canada real-return bonds. The salary escalation rate incorporates the inflation rate assumption and long-term expectation of growth in real wages.

The primary economic assumptions were updated in 2023 due to declining nominal bond yields and a decrease in the inflation rate. A summary of the primary economic assumptions is as follows:

	As at December 31, 2023	As at December 31, 2022
Nominal discount rate[1]	**4.00%**	4.30%
Salary escalation rate[2]	**2.60%**	3.10%
Long-term Inflation rate[3]	**1.60%**	2.10%
YMPE/ITA limit growth[4]	**2.60%**	2.85%/3.10%
Real discount rate[5]	**2.35%**	2.15%

1 As at December 31, 2023, holding all other assumptions constant, a 100bp decrease in the discount rate would result in an increase in pension liabilities of approximately $40.3 billion (December 31, 2022 – $39.8 billion).

2 Represents the estimated salary escalation rate per year commencing September 1, 2022.

3 As at December 31, 2023, holding all other assumptions constant, a 100bp increase in the assumed increase to pensions in pay for 2025 would result in an increase in pension liabilities of approximately $1.2 billion (December 31, 2022 – $1.1 billion).

4 YMPE/ITA limit growth is the sum of the inflation rate and the Average Industrial Wage (AIW) real wage growth rate of 1.0% (December 31, 2022 – 0.75% until 2024 and 1.0% thereafter).

5 Real rate shown as the geometric difference between the discount rate and the inflation rate.

At the time these Financial Statements were approved, the collective bargaining process related to school years beginning September 1, 2022 onward was in progress. New salary contracts in effect for the length of the contract, the impact of which may be material, will be reflected in future valuations once known.

There were no changes to non-economic assumptions as at December 31, 2023. The non-economic assumptions were updated in 2022 to reflect experience of Plan members related to the age difference between Plan members and their spouses. The changes in non-economic assumptions in 2022 increased the accrued pension benefits by $22 million.

The changes in economic and non-economic assumptions resulted in a net decrease in the value of accrued pension benefits of $6,097 million (2022 – $68,463 million net decrease).

(b) Inflation protection levels

As described in paragraph (f) of the Description of Plan note, pension benefits are adjusted annually by the CPI ratio with pension credit earned after December 31, 2009 subject to conditional inflation protection. Inflation protection levels vary between 50% and 100% of the CPI ratio for pension credit earned between January 1, 2010, and December 31, 2013, and vary between 0% and 100% of the CPI ratio for pension credit earned after 2013. Conditional inflation protection can only be invoked and changes to inflation protection levels can only be made when a funding valuation is filed. The Ontario government and designated employers participating in the Plan will make extra contributions to match the inflation protection benefits members forego up to a maximum foregone inflation of 50% of CPI.

For financial statement valuations, future pension payments are indexed at the inflation protection levels stated in the most recent funding valuation filing. As a result, the December 31, 2023 accrued pension benefits reflect the inflation protection levels as stated in the January 1, 2023 funding valuation report.

As noted in the filed January 1, 2023 funding valuation, inflation protection levels are 100% of the CPI ratio for pension credit earned after 2009. This level will remain in effect until the next actuarial valuation is filed with the regulatory authorities at which time the level may be reduced depending on the funded status of the Plan.

The inflation protection levels reflected in accrued pension benefits as at December 31, 2023 and 2022 are as follows:

Pension credit	Inflation protection level[6]
Earned before 2010	100% of the CPI ratio
Earned during 2010 – 2013	100% of the CPI ratio
Earned after 2013	100% of the CPI ratio

6 Inflation protection levels per the January 1, 2023 and January 1, 2022 funding valuations.

(c) Experience gains and losses

Experience losses on the accrued pension benefits of $3,944 million (2022 – $8,301 million losses) arose from differences between the actuarial assumptions and actual results.

At the time these Financial Statements were approved, collective bargaining related to school years beginning September 1, 2019, September 1, 2020 and September 1, 2021 was in progress. Based on publicly available information, it is anticipated that retroactive salary adjustments will be implemented for applicable affiliate unions. A provision for estimated retroactive salary adjustments of $2,777 million has been included in the accrued pension benefit obligation as at December 31, 2023. Any difference between the estimated and actual impact of retroactive salary adjustments once collective bargaining is concluded will be reflected in future valuations.

Accrued pension benefits as at December 31, 2023 reflect the actual January 1, 2024 increase to pensions in pay of 4.8%. Also reflected is an estimate of the January 1, 2025 increase to pensions in pay of 2.6%. This estimate was determined using known CPI data through to November 2023 and applying the assumed funding valuation long-term inflation rate thereafter to September 30, 2024. Beyond January 1, 2025, increases to pensions in pay assume a long-term inflation rate of 1.6%.

Accrued pension benefits as at December 31, 2022 reflected an estimate of the January 1, 2024 increase to pensions in pay of 4.3% which was determined using known CPI data through to November 2022 and applying the assumed funding valuation long-term inflation rate thereafter to September 30, 2023. Beyond January 1, 2024, increases to pensions in pay assumed a long-term inflation rate of 2.1%. The actual increase to pensions in pay at January 1, 2024 combined with the change in the assumption at January 1, 2025 resulted in a net increase in the accrued pension benefits of $1,348 million as at December 31, 2023.

NOTE 5.
Net investment income

Net investment income is reported net of management fees and transaction costs and is grouped by asset class. Net investment income for the year ended December 31, is as follows:

Net Investment Income						2023
(Canadian $ millions)	Income[1]	Net Gain (Loss) on Investments[2]	Investment Income[3]	Management Fees	Transaction Costs	Net Investment Income
Equity						
Publicly traded						
Canadian	$ 11	$ 189	$ 200	$ –	$ (1)	$ 199
Non-Canadian	298	2,549	2,847	(24)	(29)	2,794
Non-publicly traded						
Canadian	224	106	330	(1)	(1)	328
Non-Canadian	635	1,120	1,755	(2)	(160)	1,593
	1,168	3,964	5,132	(27)	(191)	4,914
Fixed income						
Bonds	1,044	440	1,484	(3)	(30)	1,451
Short-term investments	4	1,161	1,165	(2)	–	1,163
Canadian real-rate products	249	20	269	–	–	269
Non-Canadian real-rate products	8	49	57	–	–	57
	1,305	1,670	2,975	(5)	(30)	2,940
Alternative investments	252	569	821	–	(2)	819
Inflation sensitive						
Commodities	(762)	330	(432)	(1)	(4)	(437)
Timberland	18	130	148	–	(7)	141
Natural resources	433	(486)	(53)	(3)	(52)	(108)
	(311)	(26)	(337)	(4)	(63)	(404)
Real assets						
Real estate	863	(2,480)	(1,617)	–	(82)	(1,699)
Infrastructure	1,401	(2,455)	(1,054)	(22)	(39)	(1,115)
	2,264	(4,935)	(2,671)	(22)	(121)	(2,814)
Overlay	(7)	77	70	–	–	70
Total	$ 4,671	$ 1,319	$ 5,990	$ (58)	$ (407)	$ 5,525

1 Income includes interest, dividends, and other investment-related income and expenses.

2 Includes realized gain from investments of $4,052 million and change in unrealized gains (losses) from investments of $(2,733) million.

3 Net of certain management and performance fees.

Net Investment Income						2022
(Canadian $ millions)	Income[1]	Net Gain (Loss) on Investments[2]	Investment Income[3]	Management Fees[4]	Transaction Costs	Net Investment Income
Equity						
Publicly traded						
Canadian	$ 32	$ 195	$ 227	$ –	$ (1)	$ 226
Non-Canadian	234	(2,257)	(2,023)	(29)	(34)	(2,086)
Non-publicly traded						
Canadian	183	83	266	(1)	(25)	240
Non-Canadian	687	2,859	3,546	(2)	(80)	3,464
	1,136	880	2,016	(32)	(140)	1,844
Fixed income						
Bonds	456	(22)	434	(3)	(27)	404
Short-term investments	1	338	339	(2)	–	337
Canadian real-rate products	238	(1,657)	(1,419)	–	–	(1,419)
Non-Canadian real-rate products	14	102	116	–	–	116
	709	(1,239)	(530)	(5)	(27)	(562)
Alternative investments	226	2,141	2,367	–	(4)	2,363
Inflation sensitive						
Commodities	(385)	3,460	3,075	–	(1)	3,074
Timberland	76	662	738	–	(1)	737
Natural resources	732	1,046	1,778	(1)	(21)	1,756
	423	5,168	5,591	(1)	(23)	5,567
Real assets						
Real estate	725	(1,652)	(927)	(2)	(101)	(1,030)
Infrastructure	930	5,253	6,183	(14)	(176)	5,993
	1,655	3,601	5,256	(16)	(277)	4,963
Overlay	(5)	(3,810)	(3,815)	–	–	(3,815)
Total	$ 4,144	$ 6,741	$ 10,885	$ (54)	$ (471)	$ 10,360

1 Income includes interest, dividends, and other investment-related income and expenses.

2 Includes realized gain from investments of $3,027 million and change in unrealized gains (losses) from investments of $3,714 million. Prior period comparative has been updated to conform to current year's presentation (as described in NOTE 1a).

3 Net of certain management and performance fees.

4 Prior period comparative has been updated to conform to current year's presentation (as described in NOTE 1a).

NOTE 6.
Investment returns and related benchmark returns

The total-fund net return is calculated after deducting transaction costs, management fees and investment administrative costs. Asset-class returns are calculated before deducting investment administrative costs. Investment returns and related benchmark returns by investment asset class for the year ended December 31 are as follows:

	2023		2022	
	Investment Returns	**Investment Benchmark Returns**	Investment Returns	Investment Benchmark Returns
Equity[1]	**7.4%**	**17.1%**	0.1%	(5.9)%
Fixed Income	**1.2**	**1.2**	(3.5)	(3.5)
Inflation sensitive	**(1.0)**	**(0.2)**	19.2	18.7
Real assets	**(4.1)**	**5.3**	8.3	11.1
Credit[1]	**9.1**	**9.6**	3.6	(0.0)
Total fund net return[1, 2]	**1.9%**	**8.7%**	4.0%	2.3%

1 Effective January 1, 2023 investments formerly included in the Innovation asset class are now included in Equity and Credit. The total fund net return for 2022 includes the results from the former Innovation asset class. Prior period returns for Equity and Credit have not been restated.

2 Absolute return strategies, Overlay and Funding for investments are included in the total fund net return and not shown separately.

Investment returns have been calculated using a time-weighted rate of return methodology.

Ontario Teachers' identifies benchmarks to evaluate the investment management performance. The performance of each asset class is measured against benchmarks that are reflective of the expected return of its underlying investments.

The total fund net return is measured against a Canadian dollar-denominated composite benchmark produced by aggregating returns from each of the policy asset-class benchmarks.

NOTE 7.
Funding valuations

Funding valuations are prepared annually and must be filed at least once every three years with the regulatory authorities. Once filed, these valuations are used to determine the funding requirements of the Plan. The Funding Management Policy established by the co-sponsors provides guidance for the co-sponsors in determining contributions and benefit levels.

The actuarial methods used to prepare funding valuations are different than those used to prepare a financial statement actuarial valuation and the amounts included in these consolidated financial statements. The funding valuations use an actuarial valuation method which takes into account future benefits to be earned by Plan members and future contributions to be made by Plan members, the Province of Ontario and designated employers as at the valuation date, whereas the accrued pension benefits recognized in the financial statements represent the actuarial present value of pension obligations in respect of service accrued to date for all members.

The most recent funding valuation that has been filed with regulatory authorities was prepared as at January 1, 2023 by the external actuary and disclosed a funding surplus of $17.5 billion. The co-sponsors classified the surplus as a contingency reserve.

NOTE 8. Contributions and benefits

(a) Contributions

(Canadian $ millions)	2023	2022
Members		
Current service[1]	**$ 1,602**	$ 1,602
Optional credit	**41**	40
	1,643	1,642
Province of Ontario		
Current service	**1,588**	1,592
Interest	**18**	42
Optional credit	**36**	34
	1,642	1,668
Designated employers	**41**	38
Transfers from other pension plans	**21**	19
	62	57
	$ 3,347	$ 3,367

1 Contributions past due are less than $1 million in 2023 and less than $3 million in 2022.

(b) Benefits

(Canadian $ millions)	2023	2022
Retirement pensions	**$ 7,020**	$ 6,522
Death benefits	**544**	504
Commuted value transfers	**61**	123
Disability pensions	**24**	23
Family law transfers	**21**	24
Transfers to other plans	**12**	8
Benefits paid	**7,682**	7,204
Other payments[2]	**2**	1
	$ 7,684	$ 7,205

2 Settlement or other claim-related payments to certain current and former beneficiaries determined on a case-by-case basis. Such payments do not reduce the accrued pension benefits.

NOTE 9. Administrative expenses

(a) Investment expenses

(Canadian $ millions)	2023	2022
Salaries, incentives and benefits	**$ 591**	$ 558
Premises and equipment	**88**	74
Professional and consulting services	**61**	75
Information services	**43**	38
Communication and travel	**21**	17
Custodial fees	**5**	8
Statutory audit fees	**5**	5
Board and committee remuneration	**2**	1
Other	**13**	9
	$ 829	$ 785

(b) Member services expenses

(Canadian $ millions)	2023	2022
Salaries, incentives and benefits	**$ 54**	$ 52
Premises and equipment	**18**	22
Professional and consulting services	**7**	8
Other	**2**	2
	$ 81	$ 84

(c) Employees' post-employment benefits

The employees of Ontario Teachers' are members of the defined benefit plans, of either the Ontario Public Service Employees Union (OPSEU) Pension Plan or Public Service Pension Plan (PSPP). The expected contributions from Ontario Teachers' in 2024 are approximately $19.3 million. Some employees are also members of the Public Service Supplementary Plan (PSSP). These three pension plans are sponsored by the Province of Ontario and information is available on www.optrust.com and www.opb.ca. As the employer, Ontario Teachers' matches the employees' contributions to these pension plans. Some senior management employees also participate in a non-registered, unfunded Supplemental Employee Retirement Plan (SERP) managed by Ontario Teachers' to provide the employees non-indexed retirement benefits equal to 2% of the employee's pensionable earnings times the number of years of service, less the initial annual pension to which the employee is entitled under the PSPP and PSSP, combined. The amount expensed by Ontario Teachers' during the year in relation to these plans was $22.1 million (2022 – $(1.5) million). Employees employed by our international offices participate in a contributory retirement arrangement relevant for their region. Employer contributions are included in the salaries, incentives and benefits expenses.

NOTE 10. Related party transactions

Ontario Teachers' primary related parties include its co-sponsors (Province of Ontario and Ontario Teachers' Federation); key management personnel; subsidiaries related to the administration of the pension plan; and investment-related subsidiaries, joint ventures, associates.

The primary transactions undertaken between Ontario Teachers' and the Government of Ontario consist of the funding contributions outlined in NOTE 8a. Amounts Receivable from the Province of Ontario related to matching contributions and interest thereon are disclosed in NOTE 3.

Ontario Teachers' investments in Province of Ontario issued bonds are disclosed in NOTE 2f. There are no material transactions between Ontario Teachers' and its other co-sponsor, OTF.

Related-party transactions with investment-related subsidiaries, joint ventures, and associates consist primarily of investments and investment income. These transactions are measured at fair value and will, therefore, have the same impact on net assets available for benefits and net investment income as those investment transactions with unrelated parties. Guarantees made on behalf of related parties are disclosed in NOTE 14.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Ontario Teachers', being its board members, the executive team and the executive managing directors of the Investment Division.

The compensation of the key management personnel is included in the administrative expenses of Ontario Teachers'. There are no other related party transactions between the key management personnel and Ontario Teachers'.

The compensation of the key management personnel as at December 31 is summarized below:

(Canadian $ millions)	2023	2022
Short-term employee benefits	$ 22	$ 26
Post-employment benefits	2	(2)
Termination benefits	6	6
Other long-term benefits	26	27
	$ 56	$ 57

NOTE 11. Capital

Funding valuation surpluses or deficits as determined by an independent actuary are considered Ontario Teachers' capital for the purposes of the consolidated financial statements. See NOTE 7 for an explanation of the difference between the funding valuation and the financial statement valuation.

The funding valuation is used to measure the long-term health of the Plan assessing the Plan's ability to meet its obligations to all current members and their survivors. The objective of managing Ontario Teachers' capital is to ensure the Plan is sufficiently funded to pay benefits over the long term.

One of the most important assumptions in the funding valuation is the discount rate (set by the board) which is used to calculate the present value of future pension benefits the Plan expects to pay to members as well as the present value of contributions it anticipates receiving. The discount rate is derived from the expected rate of return on investments and takes into consideration the cost of running Ontario Teachers' and provisions for plan maturity as well as major adverse events, such as the 2008 financial crisis.

Preliminary funding valuation surpluses or deficits are determined annually. At least once every three years, a formal funding valuation report is required to be filed with the regulatory authorities (see NOTE 7). As stated in the Partners' Agreement[1], the Plan cannot be in a deficit position when such reports are filed[2]. As a result, the formal report must include adjustments to benefit and/or contribution levels as necessary to eliminate any preliminary valuation deficit. Any required adjustments are determined by the co-sponsors with guidance from the Funding Management Policy (Appendix A to the Partners' Agreement).

NOTE 12. Retirement compensation arrangement (RCA)

Restrictions in the ITA on the payment of certain benefits from an RPP for periods of service after 1991 may impact some Plan members. To address affected members, the RCA was established by agreement between the co-sponsors as a supplementary plan to provide these benefits.

The RCA is administered under a trust separate from the assets of the RPP. Ontario Teachers' has been appointed by the co-sponsors to act as the trustee of the RCA Trust.

Under the terms of the RCA, its net assets available for benefits and the value of accrued benefits and deficit (referred to below) must constitute a distinct fund held separate from the RPP, and are not included in the consolidated financial statements of Ontario Teachers'.

The RCA is funded primarily on a pay-as-you-go basis from a portion of the contributions directed to Ontario Teachers' by members, the Province of Ontario and designated employers. The portion is based on a limit on contributions to the RPP with contributions in excess of the limit being remitted to the RCA. The limit is determined annually by the board, after consulting the Plan's independent actuary. Since 2016, the limit has remained at $14,500 per member. Ontario Teachers' objective is to ensure sufficient funds exist within the RCA to pay for several years (but not more than 10 years) of projected benefits following each valuation date. Due to the funding policy adopted by the co-sponsors, the net assets available for benefits will continue to be substantially less than the accrued benefits.

1 The Partners' Agreement is the document which establishes the partnership between the co-sponsors and outlines the roles of Ontario Teachers', its board and the co-sponsors.

2 The formal funding valuation report must be actuarially balanced such that the sum of the funding liabilities (present value of future pension benefits), the present value of the reduction in cost due to providing inflation protection levels below 100% and any contingency reserve is equal to the sum of the Plan's market value of assets, asset smoothing adjustment, present value of future contributions and present value of future matching of foregone inflation adjustments.

The RCA financial statements are in compliance with Section 4600 and IFRS. A summary of the financial statements for the RCA, is as follows:

As at December 31 (Canadian $ millions)		2023		2022
Statements of financial position				
NET ASSETS AVAILABLE FOR BENEFITS				
Assets	**$**	**65**	$	59
Liabilities		**(4)**		(2)
	$	**61**	$	57
ACCRUED PENSION BENEFITS AND DEFICIT				
Accrued pension benefits	**$**	**484**	$	475
Deficit		**(423)**		(418)
	$	**61**	$	57

For the year ended December 31 (Canadian $ millions)		2023		2022
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS				
Contributions	**$**	**17**	$	12
Investment income		**2**		–
		19		12
Benefits paid		**(15)**		(13)
Expenses		**–**		–
		(15)		(13)
Increase/(decrease) in net assets available for benefits	**$**	**4**	$	(1)

Similar to NOTE 4c, an estimated provision for retroactive salary adjustments is included in the accrued pension benefits. This increased the accrued pension benefits by $0.5 million as at December 31, 2023.

The actuarial assumptions used in determining the value of accrued benefits are consistent with the Plan except that the assumed discount rate has been adjusted to reflect the impact of the 50% refundable tax applicable to the RCA.

The estimate of the value of accrued pension benefits is highly sensitive to salary increases, both actual and assumed, and to the assumed maximum pension limit per the ITA. Any changes to the salary assumptions can have a material impact on the liabilities for future benefits. In addition, significant uncertainty exists in projecting the liabilities of the RCA due to changes in the number of future participants as well as changes to the ITA and its regulations relating to pensions.

NOTE 13. Commitments

Ontario Teachers' has committed to enter into investment and other transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2023, these commitments totaled $28,001 million (2022 – $37,171 million).

NOTE 14. Guarantees and indemnifications

Guarantees

Ontario Teachers' provides guarantees to third parties related to certain investments and could be called upon to satisfy these guarantees if the investee companies fail to meet their obligations. Ontario Teachers' expects most guarantees to expire unused. No payments have been made by Ontario Teachers' in either 2023 or 2022 under these guarantees.

Ontario Teachers' guarantees certain investee loan and credit agreements which will expire by 2027. Ontario Teachers' maximum exposure is $608 million as at December 31, 2023 (2022 – $706 million). The companies have drawn $372 million under the agreements (2022 – $414 million).

Ontario Teachers' guarantees certain lease agreements for an investment company which will expire by 2059. Ontario Teachers' maximum exposure is $188 million as at December 31, 2023 (2022 – $74 million). There were no default lease payments in either 2023 or 2022.

Ontario Teachers' also guarantees the ability of certain investee companies to settle certain financial obligations. Ontario Teachers' maximum exposure is $119 million as at December 31, 2023 (2022 – $166 million).

Ontario Teachers' also guarantees commercial paper and term debt issued by Ontario Teachers' Finance Trust (OTFT) which Ontario Teachers' consolidates. The fair values of these guarantees are included in Ontario Teachers' investment-related liabilities.

The term debt issued by OTFT, as shown in the table below, is not redeemable prior to maturity at the option of the trust or Ontario Teachers' except as described in their respective Offering Memoranda. OTFT and its affiliates may at any time and from time to time purchase the senior notes in the open market or otherwise.

The commercial paper issued by OTFT is not redeemable prior to maturity or subject to voluntary prepayment, except as described in the U.S. Commercial Paper Private Placement Memorandum dated June 2017. The maturity terms for the commercial paper outstanding as at December 31, 2023 are up to 397 days from the date of issue in the U.S. and up to 364 days in Canada. The maximum aggregate principal amounts of the commercial paper outstanding at any one time do not exceed $10 billion. As at December 31, 2023, commercial paper issued amounted to $2,613 million (2022 – $2,664 million).

Issuance	Currency	Principal Amount	Maturity	Coupon
September 2019	USD	$1.75 billion	September 2024	1.625%
April 2020	USD	$1.00 billion	April 2025	1.375%
May 2020	EUR	€1.50 billion	May 2025	0.500%
September 2020	USD	$1.50 billion	September 2030	1.250%
October 2020	CAD	$1.25 billion	October 2027	1.100%
November 2020[1]	EUR	€750 million	November 2030	0.050%
April 2021	USD	$1.50 billion	April 2031	2.000%
May 2021	EUR	€1.25 billion	May 2028	0.100%
May 2021	EUR	€1.25 billion	May 2041	0.900%
September 2021	USD	$2.00 billion	September 2026	0.875%
October 2021	GBP	£500 million	May 2026	1.125%
November 2021[1]	EUR	€500 million	November 2051	0.950%
April 2022	USD	$1.50 billion	April 2027	3.000%
April 2022	EUR	€1.25 billion	May 2032	1.850%
October 2022	EUR	€500 million	October 2029	3.300%
November 2022[1]	CAD	$1.00 billion	June 2032	4.450%
February 2023[1]	CAD	$1.00 billion	November 2029	4.150%
April 2023	USD	$1.50 billion	April 2028	4.250%

1 Green bond issuances.

Indemnifications

Ontario Teachers' board members, employees and certain others are indemnified in relation to certain proceedings that may be commenced against them. In addition, in the normal course of operations, Ontario Teachers' may, in certain circumstances, agree to indemnify a counterparty. Under these agreements, Ontario Teachers', its subsidiaries and joint ventures may be required to compensate counterparties for costs incurred as a result of various contingencies such as legal claims or changes in laws and regulations. The number of such agreements, the variety of indemnifications and their contingent character prevents Ontario Teachers' from making a reasonable estimate of the maximum amount that would be required to pay all such counterparties.

NOTE 15. Subsequent events

Effective January 1, 2024 ("transition date"), Ontario Teachers' established an in-house real estate asset class group to oversee real estate investment activities. This aligns its real estate investment approach to that of other asset groups within Ontario Teachers', where investment capabilities are embedded within the organization to enable information sharing, co-sourcing, and best practices across its global platform. Ontario Teachers' will focus on global real estate investing and portfolio management, consistent to our other asset classes, while Cadillac Fairview will focus on growth, diversification, and densification of its real estate portfolio in Canada. In support of this model, Cadillac Fairview's global real estate team joined the organization on transition. As a result of this change, certain real estate expenses that were previously reported in net investment income, will be included in Ontario Teachers' administrative expenses post the transition date.

Independent Practitioner’s Limited Assurance Report

To the Administrator of
Ontario Teachers’ Pension Plan:

We have undertaken a limited assurance engagement of the select performance metrics, included in Schedule 1, of Ontario Teachers’ Pension Plan Board (“Ontario Teachers’”) for the year ended December 31, 2023 (collectively referred to as the “Select Performance Metrics”).

Management’s responsibility

Management is responsible for the preparation of the Select Performance Metrics in accordance with the applicable criteria defined in Schedule 2 (the “applicable criteria”). Management is also responsible for selecting the applicable criteria used. Management is also responsible for such internal control as management determines necessary to enable the preparation of the Select Performance Metrics that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Select Performance Metrics based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (“ISAE”) 3000 Revised, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Select Performance Metrics is free from material misstatement.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical and other procedures) and evaluating the evidence obtained. The procedures also include assessing the suitability in the circumstances of Ontario Teachers’ use of the applicable criteria as the basis for the preparation of the Select Performance Metrics. The procedures are selected based on our professional judgment, which includes identifying areas where the risks of material misstatement of the Select Performance Metrics are likely to arise, whether due to fraud or error.

Our engagement included the following procedures, among others:

- Making inquiries of relevant management and staff responsible for the preparation and reporting of the Select Performance Metrics;
- Obtaining an understanding of the underlying data that is used as an input into the calculation of the Select Performance Metrics, including emission factors and conversion factors;
- Obtaining an understanding of the process used to prepare and report the Select Performance Metrics;
- Agreeing and testing the underlying data related to the Select Performance Metrics on a sample basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with the International Standards on Assurance Engagements. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Select Performance Metrics has been prepared, in all material respects, in accordance with the applicable criteria.

Our independence and quality management

We have complied with the independence and other ethical requirements of the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Significant inherent limitations

Environmental data and energy use data are subject to inherent limitations of accuracy given the nature of the data and the methods used for determining. The selection of different acceptable measurement techniques can result in materially different outcomes. The precision of different measurement techniques may also vary.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Select Performance Metrics of Ontario Teachers' for the year ended December 31, 2023, is not prepared, in all material respects, in accordance with the applicable criteria.

Specific purpose of applicable criteria

The Select Performance Metrics has been prepared in accordance with the applicable criteria to assist Ontario Teachers' in reporting the select performance metrics in Ontario Teachers' 2023 Annual Report. As a result, the Select Performance Metrics may not be suitable for another purpose.

We acknowledge the disclosure of our report, in full only, by Ontario Teachers' at its discretion, in Ontario Teachers' 2023 Annual Report, without assuming or accepting any responsibility or liability to the Administrator of Ontario Teachers' Pension Plan or any other third party in respect of this report.

Deloitte LLP
Chartered Professional Accountants
Toronto, Ontario

February 28, 2024

Schedule 1

Our limited assurance engagement was performed on the following select performance metrics for the year ended December 31, 2023.

Select performance metrics	Unit of measurement	Year ended December 31, 2023
Total portfolio carbon emissions	kilo tonnes carbon dioxide equivalent ($ktCO_2e$)	5,883
Value of holdings	CAD $ million	204,670
Total portfolio carbon footprint intensity	metric tonnes carbon dioxide equivalent (tCO_2e)/CAD $ million	29
Total operational carbon emissions	metric tonnes carbon dioxide equivalent (tCO_2e)	8,944

Schedule 2

Select performance metrics	Definition
Total portfolio carbon emissions	**Total portfolio carbon emissions** is the sum of Ontario Teachers' share of emissions relating to the following asset classes: public equities, private assets, corporate fixed income calculated per the formula below: • **Public equities** include shares in public companies and derivative positions in internally and externally managed public equity strategies. • **Private assets** are internally and externally managed private equity including those from natural resources, infrastructure, private capital, real estate, Teachers' Venture Growth and capital markets, as well as share of indirect investments through private funds (including private equity, mezzanine and venture capital). • **Corporate fixed income** includes direct public and private credit, credit inflation-linked securities, credit derivatives, credit externally managed funds and quasi-sovereign credit. Short positions are included in the portfolio carbon footprint and these positions are treated as negative emissions. **Exclusions:** • Sovereign debt • Holdings in portfolios that are benchmarked to cash or cash equivalents that are short-term or transient in nature
Value of holdings	**Value of holdings** is the value of the following asset classes: public equities, private assets and corporate fixed income covered within the total portfolio carbon emissions calculation. *For public equity and private assets:* • Market value of Ontario Teachers' public equity and private asset investments *For corporate fixed income:* • Book value of Ontario Teachers' public and private credit investments • Market value of Ontario Teachers' credit external funds • Inflation-adjusted notional values of Ontario Teachers' credit inflation-linked securities • Nominal value of Ontario Teachers' credit derivatives
Total portfolio carbon footprint intensity	Quotient of total portfolio carbon emissions divided by value of holdings.
Total operational carbon emissions	**Total operational carbon emissions** is the sum of emissions related to Ontario Teachers' scope 1 emissions, location-based scope 2 emissions and scope 3 emissions. Scope 3 emissions include air travel, ground transportation, and paper use and disposal.

Portfolio and operational carbon footprint methodology

Portfolio carbon footprint methodology

Our approach is informed by the Partnership for Carbon Accounting Financials, which is one of the only standards available for portfolio carbon footprint accounting. We use 2019 as our baseline year for measuring progress against our 2025 and 2030 emissions intensity reduction targets. To include as much of the portfolio as possible, we use an enterprise value[1] approach for calculating our portfolio carbon footprint. This method allows for the inclusion of both equity and corporate fixed income holdings. Short positions are treated as negative values in terms of both financial and emissions exposure.

Enterprise value-based methodology

Ontario Teachers' share of emissions

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

Scope

Our portfolio carbon footprint covers the following:

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

Combined, the portfolios (as defined above) represent over 80% of our net assets as of December 31, 2023. Most of the remainder of our portfolio is composed of sovereign debt, primarily Government of Canada bonds. We continue to track the development of standards and methodologies for considering emissions associated with sovereign debt, but note that the output would not be directly comparable to the emissions from our current portfolio carbon footprint.

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.

1 Enterprise value equals market cap of equity plus book value of debt. Cash is not deducted.

Emissions data

Public equities or credit: Emissions data was taken from Trucost[1], 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:

1. Company-reported emissions

2. Estimate based on company-specific factors

3. Estimate based on similar publicly listed companies

4. 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	42%	15%	36%	63%[2]	41%	70%	56%	64%
2. Estimate based on company-specific factors	18%	7%	27%	3%	2%	2%	8%	7%
3. Estimate based on similar publicly listed companies	0%	0%	0%	1%	1%	3%	1%	2%
4. Proxy based on GICS sub-industry average emissions	30%	11%	27%	33%	21%	25%	32%	25%
5. Trucost models	9%	3%	10%	0%	0%	0%	3%	2%
Total	**100%**	**36%**	**100%**	**100%**	**64%**	**100%**	**100%**	**100%**

1 Source: S&P Global Sustainable1, ©2024 by S&P Global Inc. All rights in the S&P Global data and reports, including, without limitation, the Trucost data and reports, vest in S&P Global and/or its authorized licensors. Neither S&P Global Inc., nor any of its affiliates or subsidiaries, nor its authorized licensors, accept any liability for any errors, omissions or interruptions in such data and/or reports. No further distribution of the data and/or reports is permitted without S&P Global's express prior written consent.

2 This number is calculated using emissions from all private positions (i.e., direct investment, funds and corporate fixed income). In our direct private investment portfolio, 93% are company reported emissions.

Operational carbon footprint

Methodology

Our operational carbon footprint is calculated in accordance with the Greenhouse Gas Protocol (the GHG Protocol) and aligned with ISO 14064-1:2018 using a combination of actual reported data and estimates. These are the leading industry standards to guide the calculation of an operational carbon footprint.

Given our international footprint, we use emissions factors from a range of sources with a bias to those reported through international governance mechanisms. This can introduce additional time lags and variations in Global Warming Potentials in the data used.

Scope

Our reported operational carbon footprint covers fiscal years 2023, 2022 and 2019 to align with our portfolio carbon footprint baseline. We used an operational control approach to set boundaries for the calculation. The operational carbon footprint covers combustion of natural gas for building heat, purchased energy in the form of electricity and district heating/cooling, air travel, ground transportation, and paper use and disposal.

Forward-looking statements

This annual report contains forward-looking information and statements that are intended to enhance the reader's ability to assess the future financial and business performance of Ontario Teachers'. Forward-looking information and statements include all information and statements regarding Ontario Teachers' current beliefs, targets, intentions, plans and expectations concerning its objectives, future performance, strategies and financial results, as well as any other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts. Forward-looking information and statements often but not always use words such as "trend," "potential," "opportunity," "believe," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" and similar expressions. Because the forward-looking information and statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond Ontario Teachers' control or are subject to change, actual results or events could be materially different. Although Ontario Teachers' believes that the estimates and assumptions inherent in the forward-looking information and statements are reasonable, such information and statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such information or statements due to the inherent uncertainty therein. Ontario Teachers' forward-looking information and statements speak only as of the date of this annual report or as of the date they are made and should be regarded solely as Ontario Teachers' current plans, estimates and beliefs. Ontario Teachers' does not intend or undertake to publicly update such statements to reflect new information, future events and changes in circumstances or for any other reason.

Cautionary statement

In connection with our multi-faceted climate strategy, we have made certain commitments and set certain goals and targets ("**Targets**"). In establishing our Targets, we relied on various laws, guidelines, taxonomies, methodologies, frameworks, market practices and other standards (collectively, "**Standards**") and also made good faith assumptions and estimates in establishing our Targets. Given the complex and evolving nature of the global response to climate change, these Standards may change over time, and our assumptions and estimates may prove incorrect or inaccurate for reasons we cannot foresee or predict.

To monitor and report on our progress toward our Targets, we rely on data obtained from our portfolio companies and other third-party sources. Although we believe these sources are reliable, we have not independently verified this data, or assessed the assumptions underlying such data, and cannot guarantee its accuracy or completeness. We also attempt to improve accuracy in the data through an independent limited assurance review. The data may be of varying quality or usefulness and may change over time as Standards evolve. These factors could impact our Targets and our ability to achieve them.

Online supplements

Please visit our website to view our lists of major investments over $200 million, as well as our 11-year financial review and filed funding valuation history.

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