

Sustainable Investing Policy

INVESTMENT



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Effective
January 1, 2023

OVERALL PRINCIPLES

OMERS incorporates sustainable investing principles across the various stages of our investment lifecycle – a process grounded in our three Sustainable Investing pillars (**Integration**; **Collaboration**; and **Engagement**). We believe that doing so enables us to make better-informed, and risk-adjusted return decisions. Furthermore, OMERS seeks to uphold high standards of business integrity, honesty and fairness and to comply with local laws and international good practice.

OMERS believes that well-run organizations with sound environmental, social and governance (“ESG”) practices will perform better, particularly over the long term. Integrating ESG factors into our investment approach is consistent with our objective to meet our financial obligations and fulfill the pension promise.

This Policy applies to investments of the OMERS Primary Pension Plan, the Supplemental Pension Plan and the Retirement Compensation Arrangement.

Next renewal date:	January 2024
Frequency of review:	Every year

Introduction

OMERS serves as the fiduciary and steward of the retirement income of more than half a million members from communities across Ontario. With a team of investors and professionals across offices in North America, Europe, Asia and Australia, we hold a diversified portfolio of investments spanning Capital Markets, Infrastructure, Real Estate and Private Equity.

Our core strategy is to make OMERS a sustainable, affordable and meaningful defined benefit Plan.

In developing this Policy, we engaged a cross-section of stakeholders and referred to relevant industry guidelines, including the United Nations supported Principles for Responsible Investment and the Canadian Coalition for Good Governance Stewardship Principles.




Purpose and Scope

This Policy outlines our approach to sustainable investing and provides the foundation upon which this activity relies. It serves as an overarching guide for our investment teams, external managers and executives. The Policy applies across the OMERS investment portfolio and implementation varies based on our level of control and influence. OMERS Business Units use the Policy in developing their approach to integration within their respective ESG Assessment Procedures, which reflect the specific dynamics of their underlying asset classes.

This Policy also serves as a catalyst for setting OMERS net-zero 2050 commitment, enabled by short and medium-term targets, and is supplemented and implemented in conjunction with various other policies and documents as outlined in the Related and Supplementary Documents section.

Our Approach

Our three overarching Sustainable Investing Pillars guide our approach to sustainable investing: Integration, Collaboration and Engagement.

 <p>INTEGRATION</p> <p>We seek to integrate ESG factors into our investment analysis and decision-making processes, and our asset management practices. These factors may have a material impact on investment performance. Our investment and asset management teams assess ESG factors through processes tailored to the applicable asset class and investment strategy.</p>	 <p>COLLABORATION</p> <p>We collaborate with like-minded organizations, investors, regulators and legislators with a view to improving the foundations for sustainable investment. We recognize that the long-term health and sustainability of financial, environmental and social systems can impact the delivery of the pension promise</p>	 <p>ENGAGEMENT</p> <p>We seek to actively engage with our investee companies and other stakeholders to promote sustainable business practices and long-term thinking. Our approach to engagement is informed by our investment strategy and level of control and influence.</p>
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Recognizing the rapid evolution of the ESG landscape, we commit to enhancing our capabilities and practices to ensure they remain transparent, relevant, and effective over time.

ESG Factors

OMERS seeks to integrate ESG factors into our investment analysis and asset management processes, including through oversight of, and influence on, our investee companies. When assessing ESG governance and performance, we consider a range of ESG factors, including the following, where relevant and material.

Environmental	Social	Governance
Climate Change Pollution Natural Resources Impact Waste and Hazardous Materials Resource Efficiency Extreme Weather Events	Human Rights Labour Practices Government and Community Relations Inclusion and Diversity Health and Safety Indigenous Rights Human Capital Management Product Stewardship	Shareholder Rights Board Structure Executive Compensation Anti-Corruption and Anti-Money Laundering Business Conduct Risk Management Cybersecurity Data Protection and Privacy

Integration

Direct-Drive Assets

OMERS employs a direct-drive¹ strategy with the majority of its investment assets. For these investment strategies, we integrate relevant ESG factors into our investment due diligence and approval processes, highlighting material ESG factors to the investment approval bodies. We also integrate relevant ESG factors into our asset management approaches; our influence in this regard is commensurate with our level of ownership.

Each investment team develops specific ESG Assessment Procedures to inform its approach. Procedures may include, but are not limited to:

- due diligence questionnaires to surface material ESG issues;
- escalating review of ESG factors to subject matter experts where material issues may require specific expertise;
- providing an assessment of ESG factors (risks and/or opportunities) in investment approval documents; and
- setting and monitoring progress on ESG portfolio targets and related key performance indicators.

External Managers

For strategies not managed directly by OMERS, we work with partners and external investment and asset managers. We have processes within each BU to assess their alignment with the principles described in this Policy. ESG assessments are performed when engaging new external investment and asset managers with the objective of avoiding inconsistency with OMERS approach to sustainable investing. This assessment includes the review of applicable ESG policies, reports and procedures.

Investment Restrictions

- As a fiduciary, we are conscious that restricting investments in entire industries or sectors limits the range of investment opportunities and overall portfolio diversification. As such, the criteria for exclusion is necessarily very stringent. Our preferred approach is active engagement rather than divestment. However, OMERS may assess specific industries or sectors against ESG factors to determine

whether to exclude them from our investment portfolios. We have developed a risk-based, principled framework to determine exceptional circumstances where we exclude investments.

Collaboration

We recognize that the long-term health and sustainability of financial, environmental and social systems can impact the delivery of the pension promise. As such, we believe that through collaboration with like-minded institutions, advocacy, and partnership building, we amplify the impact that OMERS can have on ESG issues.

We are actively involved in several organizations, networks and collaborative initiatives committed to sustainable investing.

Advocacy

We are committed to promoting better transparency in ESG data and disclosure, aligned with relevant standards and practices, to improve the functioning of financial markets at the system level. Disclosure of financially relevant, potentially material ESG factors allows us to make better informed investment decisions, and more effectively play our role in efficient and optimal capital allocation. OMERS engages with regulators, policy makers, and standard-setting bodies such as the Task Force on Climate-related Financial Disclosures and the International Sustainability Standards Board to advocate for the harmonization of ESG reporting standards that supports long-term value creation. Our involvement with leading organizations, initiatives and networks enables us to further amplify these advocacy efforts.

Engagement

Engagement with investee companies is a hallmark of our stewardship of the OMERS plan assets. Through our engagement activities, including our proxy voting program, we seek to encourage actions by company boards and management teams that will enhance long-term shareholder value.

We seek to actively engage with these companies to promote sustainable business practices and long-term thinking while addressing material ESG factors in their strategy and operational practices. For example, engagement on climate change and company net zero pathways is a priority for high impact sectors. Our

¹ Direct-drive strategy refers to the use of internal investment teams to source and manage investment assets, versus external managers

engagement approach will depend upon OMERS level of control and influence over the investee company and the associated investment strategy.

While we prefer engagement to divesting, divestment may be an option when there exists a material misalignment with OMERS approach to sustainability and engagement has proven unsuccessful following an appropriate escalation process.

Private markets

In our private markets investments where we hold direct ownership, OMERS engages directly with investee companies in various ways. For example, when we have a significant ownership stake, we typically have governance rights, which may include active board participation of our own employees or external director nominees. We also maintain regular interactions with board members and management teams and we seek to ensure effective communication of material ESG risks and opportunities.

Public markets

In our public markets portfolio, we exercise stewardship through multiple channels, including through proxy voting and direct engagement including, where appropriate, alongside our investing peers.

Our process includes actively engaging with investee companies with the aim of improving outcomes and enhancing value. We believe that companies should maintain policies and procedures with respect to ESG factors that materially affect performance or mitigate risk. These policies should be an integral part of the overall management of a company. We take our responsibilities as a long-term investor very seriously and believe that, by actively engaging in a constructive way, we can influence positive change.

Proxy voting

Consistent with our fiduciary obligations, OMERS exercises its ownership rights by voting proxies diligently and in a manner intended to optimize the long-term value of its investments. Our Proxy Voting Guidelines are available on our website alongside a subset of our proxy voting records. These are intended as a guideline for OMERS and to assist the directors and management of companies in which we invest, as well as other stakeholders, to know in advance how we are likely to vote on issues of importance.

We generally support proposals that take into consideration or improve policies or practices relating to environmental impacts of company products and operations, community impact, human rights and work standards, diversity, cyber security and data privacy, where doing so enhances overall shareholder value. With respect to climate change, we expect companies to disclose the governance structure around the management of climate risk and opportunity, the impact it will have on their business as well as the policies and procedures in place to mitigate risks. OMERS may withhold votes for the chair of the relevant board committee if the board has failed to appropriately oversee the management of ESG risks.

Reporting

OMERS commits to transparent member and stakeholder communication of our progress on and approach to sustainable investing. We report annually, describing actions taken by OMERS as we execute on our sustainable investing principles. We will continue to provide additional information more frequently on our website. ESG-related metrics that OMERS discloses will continue to be integrated in our annual report alongside our financial disclosures. This includes our portfolio carbon footprint metrics, which are measured in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and our progress on meeting our related climate goals.

As part of our Sustainable Bond Framework, OMERS Finance Trust commits to publishing a Sustainable Bond Report annually.

Governance

The Investment Committee of the OMERS Administration Corporation Board (the AC Board) is responsible for overseeing our approach to sustainable investing. The CEO is responsible for the execution of this Policy across OMERS and has established a Sustainable Investing Committee (SIC), which is chaired by our Chief Legal & Sustainability Officer and includes the Chief Investment Officer, representatives from each of our investment teams and from functional areas such as risk, finance, legal, human resources, and communications. The AC Board, through its Investment Committee, receives regular reporting on sustainable investing from the individual business units and at the enterprise level.

The SIC operates under terms of reference which include:

- staying abreast of emerging ESG and sustainable investing issues and best practices
- providing education and training
- communications and reporting, and
- recommending amendments to this Policy and related guidelines.

Our Climate Risk Working Group (CRWG) operates as a management committee under the SIC and provides a forum to advance OMERS goals and objectives relating to climate change. The CRWG is convened under the sponsorship of the Chief Risk Officer with a mandate to develop frameworks for the evaluation of climate risk and the implementation of metrics required to evaluate the impact of climate change on OMERS portfolio.

OMERS investment and asset management professionals are primarily responsible for integrating ESG factors into investment and asset management decisions. Where additional subject matter expertise is required, the investment teams may utilize internal or external resources. As noted above under Engagement, our investment teams exercise governance over individual investee companies commensurate with our ownership stake.

Risk Management

The integration of ESG in the investment analysis and decision-making process contributes directly to the understanding and management of the embedded risk. Risk management at OMERS is guided by our risk appetite statements². Our risk management framework ensures that the AC Board and senior management continue to have effective oversight of OMERS risk profile. Elements of this framework as it relates specifically to climate change include:

- capital impairment induced by climate risk: Climate change poses systemic risk which will affect our portfolio and we will prudently transition our investments in line with our carbon reduction goals. We anticipate our tolerance to these risks will reduce over time; and
- Weighted Average Carbon Intensity: we use metrics, such as the sum of each asset's carbon intensity multiplied by the weight of that asset in the portfolio (expressed as tCO₂e/\$M Revenue), to assess exposure to climate-related risks.

Monitoring of Policy

The Policy Monitor is responsible for the administration of this Policy, including coordinating training, as required, and ensuring that procedures are in place at the Business Units to operationalize this Policy and related Guidelines. Each Business Unit is accountable for their implementation of the Sustainable Investing Policy supported by their ESG Assessment Procedures.

Exceptions

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

Responding to Incidents of Non-Compliance

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

² OMERS defines the desired amount of risk it believes appropriate to take in the pursuit of its objectives through the Primary Plan Risk Appetite Statement, the Primary Plan Subsidiary Risk Appetite Statements and the RCA Risk Appetite Statement.

Related and Supplementary Documents

- Statement of Investment Beliefs
- Statement of Investment Policies and Procedures
- Investment Risk Policy
- ESG Guidelines
- Climate Change Guidelines
- Proxy Voting Guidelines
- ESG Assessment Procedures
- Sustainable Investing Exclusion Procedures

ROLES & RESPONSIBILITIES

Policy Approver	AC Board of Directors	Responsible for approving the Policy
Policy Sponsor	Chief Investment Officer	Ultimately accountable for the Policy, including its development, implementation and administration. Guidelines are approved by the Chief Investment Officer. ESG Assessment Procedures are developed by the Business Units and approved by the Sustainable Investing Committee
Policy Manager	Chief Legal & Sustainability Officer	Responsible for the design and operational effectiveness of the day-to-day administration of the Policy
Policy Monitor	Vice President, Sustainable Investing	Responsible for the monitoring, compliance and reporting functions of the Policy