

# Second-Party Opinion

## OMERS Sustainable Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the OMERS Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Access to Essential Services, Affordable Basic Infrastructure, Affordable Housing, and Food Security and Sustainable Food Systems – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 9, 11 and 12.



**PROJECT EVALUATION / SELECTION** OMERS Finance Trust’s (“OFT”) Sustainable Bond Working Group, which will be comprised of representatives from five functional divisions, will be responsible for the selection and approval of eligible projects. OMERS’ environmental and social risk management systems and processes are applicable to all allocation decisions made under the OMERS Sustainable Bond Framework. Sustainalytics considers the risk management processes to be adequate and the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** OFT’s management team will be responsible for the management of proceeds. OFT has defined a look-back period of 36 months for refinancing eligible projects and intends to fully allocate proceeds within 24 months of each issuance. Pending allocation or in the event of any early repayment, proceeds will be held temporarily in line with OFT’s liquidity guidelines. This is aligned with market practice.



**REPORTING** OFT intends to report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the net proceeds raised from each issuance, the total amount of net proceeds allocated to each project category, the breakdown of allocation by geographic location, the share of refinancing versus financing and the balance of unallocated proceeds. In addition, OFT is committed to reporting on relevant impact metrics. Sustainalytics views OFT’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	March 18, 2022
<b>Issuer Location</b>	Toronto, Canada

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## Introduction

Founded in 1962, the Ontario Municipal Employees Retirement System Primary Pension Plan (“Primary Plan”) is a jointly sponsored, defined benefit pension plan and its members include employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children’s aid societies across Ontario.

Established in 2010 and headquartered in Toronto, Canada, OMERS Finance Trust (“OFT” or the “Issuer”) issues debt that is fully guaranteed by OMERS Administration Corporation (the “Guarantor”). Unless the context requires otherwise, “OMERS” herein refers to the Guarantor acting in its capacity as the administrator of the Primary Plan and the trustee of the Primary Plan fund, together with OMERS Finance Trust (“OFT”) and OMERS’ other subsidiaries.

OFT has developed the OMERS Sustainable Bond Framework (the “Framework”) under which it may issue green, social and sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing or future OMERS projects that deliver positive environmental and social impact, and advance the Issuer’s sustainability strategy. The Framework defines eligibility criteria in six green and four social areas:

### Eligible Green Projects

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Sustainable Water and Wastewater Management
6. Pollution Prevention and Control

### Eligible Social Projects

1. Access to Essential Services
2. Affordable Basic Infrastructure
3. Affordable Housing
4. Food Security and Sustainable Food Systems

In August 2021,<sup>1</sup>

Framework has been published in a separate document.<sup>3</sup>

<sup>2</sup> The

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the Issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.10, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

<sup>1</sup> OFT engaged Sustainalytics to review the Framework in August 2021. However, the project execution process was subsequently put on hold while the Issuer finalized the Framework and obtained internal approvals.

<sup>2</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>.

<sup>3</sup> The OMERS Sustainable Bond Framework is available on OFT’s website at: <https://www.omers.com/omers-finance-trust>.

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of OFT's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. OFT representatives have confirmed to the best of their knowledge that: (i) they understand it is the sole responsibility of OFT to ensure that the information provided is complete, accurate or up to date; (ii) that they have provided Sustainalytics with all relevant information, and (iii) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and OFT.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that OFT has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the OMERS Sustainable Bond Framework

Sustainalytics is of the opinion that the Framework is credible, impactful and aligns with the four core components of the SBG, GBP, and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Access to Essential Services, Affordable Basic Infrastructure, Affordable Housing, Food Security and Sustainable Food Systems – are aligned with those recognized by the GBP and SBP.
  - In the Renewable Energy category, OFT may finance or refinance the generation, transmission and distribution of energy from renewable sources, including wind, solar, geothermal, hydropower and waste biomass.
    - Geothermal projects will be limited to those with direct emissions below 100 gCO<sub>2</sub>/kWh.
    - Hydropower projects will be eligible if they have a power density greater than 5 W/m<sup>2</sup>. The Issuer intends to have an environmental and social risk assessment conducted for all new hydropower projects. Additionally, projects with a capacity greater than 25 MW will be subjected to a more stringent environmental risk assessment to address the increased exposure. This is in line with market practice.
    - Waste biomass projects, including anaerobic digestions to produce renewable natural gas (RNG), primarily from forestry and agricultural residues. OMERS anticipates that its RNG projects will reduce life-cycle emissions by 80% relative to the fossil fuel baseline.

- Biogas capture from closed or decommissioned landfills with gas capture efficiency of at least 45%.<sup>5</sup> Sustainalytics notes that recovering methane produced from closed landfills will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste.
- In the Energy Efficiency category, the Issuer may finance projects and technologies aimed at reducing energy consumption and improving energy efficiency.
  - Electricity-powered energy efficient equipment that results in at least a 30% improvement in energy efficiency. Potential project examples include heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold.
  - Projects that reduce electrical losses in bulk energy delivery or enable better integration of renewables, such as energy storage, smart grids and demand response systems. The Framework allows for allocation to smart grid investments. While noting the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency.
  - Projects that enable monitoring and optimization of energy consumption through equipment, such as smart meters, flywheels, load control systems, sensors, IoT solutions and building information systems.
  - Network transformation projects to enable modernization of broadband network from copper and coax wiring to fibre optic.
  - Sustainalytics considers OFT's potential financing of energy efficiency projects to be in line with market practice.
- Under the Green Buildings category, OFT may utilize net proceeds to finance or refinance new or existing commercial and residential buildings that meet at least one of the following criteria:
  - Buildings that have received or are expected to receive a green building certification including LEED (Gold and above), NABERS (4 Star and above), BOMA (Best Gold), BREEAM (Excellent and above). Sustainalytics considers these schemes to be credible and the minimum levels to be indicative of positive impact; for a full assessment, please refer to Appendix 1.
  - The Framework additionally allows for the inclusion of "other equivalent schemes", pending their approval by an external reviewer. Sustainalytics considers full disclosure of all eligible schemes to be aligned with good practice relating to transparency while recognizing positively the Issuer's commitment to have any additional schemes reviewed for alignment with market expectations.
  - Buildings in the top 15% energy performing buildings in their city based on a third-party assessment of their emissions intensity performance. This threshold is aligned with market practice.
- In the Clean Transportation category, OFT may finance zero direct emissions vehicles and associated infrastructure. Vehicles financed may include hydrogen, fuel cell and fully electric vehicles. The Issuer may also finance the development or acquisition of electric rolling stock and vehicles for passenger and freight transportation, as well as associated infrastructure. Sustainalytics notes that the Framework excludes the financing of freight rolling stock used primarily for fossil fuel transportation and considers this category to be in line with market practice.
- Under the Sustainable Water and Wastewater Management category, OFT may finance the installation of rainwater collection systems and water management systems that improve the water quality or water efficiency through the collection, distribution, treatment, recycling and reuse of water, rainwater and wastewater. The Issuer may also finance the development of infrastructure for flood prevention, flood defence and stormwater management. This is aligned with market practice.
- In the Pollution Prevention and Control category, OFT may finance companies that develop technologies or provide services that prevent and limit waste and pollution, such as technologies and projects to enable collection, sorting, treatment, recycling or reuse of emissions, waste,

<sup>5</sup> Sustainalytics considers it market practice for such projects to have a high gas capture efficiency of more than or equal to 75% and encourages OFT to monitor and report on the gas capture efficiency in order to estimate the overall benefits to be achieved over the gas generation lifetime of the landfill.

hazardous waste or contaminated soil. This may include technologies to enable the recycling of existing plastic material and carbon capture and storage (CCS). Sustainalytics notes that the Framework excludes the financing of technology and services intended specifically for use in sectors involved in the exploitation, exploration and transportation of fossil fuels.

- Considering the exclusion of technologies dedicated to fossil fuels, Sustainalytics views positively investments: i) that promote recycling, in line with the waste hierarchy; ii) in waste treatment and environmental remediation projects, including land treatment and brownfield clean-up, soil washing, chemical oxidation and bioremediation; and iii) in technologies that enable reduction of air emissions, GHG control and carbon capture (limited to investment in companies that develop such technologies). These projects are considered to be in line with market practice.
  - Sustainalytics notes that the Framework includes technologies and projects involving chemical recycling, which is the only method that can currently be used to recycle certain types of plastic. Chemical recycling has a high carbon footprint relative to mechanical recycling and Sustainalytics considers it to be an activity in need of transition. The Framework specifies that all chemical recycling will have GHG emissions intensities lower than equivalent manufacturing from fossil fuel feedstock.<sup>6</sup> Sustainalytics recognizes the inclusion of such threshold, noting that: (i) ongoing technological improvement is required to facilitate the progress of the activity along a decarbonization pathway, and (ii) products resulting from plastics recycling may still include single-use plastics which pose significant challenges to circular economy objectives. Sustainalytics encourages OMERS to limit investment in companies producing such outputs.
- Under the Access to Essential Services category, OFT may finance infrastructure expenditures for public, free or subsidized facilities: (i) hospitals, laboratories, clinics, healthcare, childcare and eldercare centers, and (ii) provision of child, youth or adult education and vocational training services.
  - Sustainalytics highlights that health services should be accessible to all regardless of intent to pay and considers OFT's potential financing of public and free healthcare facilities to support such outcomes.
  - As it relates to subsidized facilities, the Framework specifies that these services will be evaluated on a case-by-case basis to ensure that the financed facilities are leading to an expansion in access, and that this analysis will be subject to confirmation by an external reviewer. While noting that this does not guarantee that no cost barriers will remain to access, this commitment is viewed as indicative of OMERS' intent to deliver positive social impact.
  - Sustainalytics considers the financing of education infrastructure as described by the Framework to be aligned with market practice, noting that OFT intends to report on how access and subsidization will be arranged for these facilities.
- Within the Affordable Basic Infrastructure category, OFT may finance the construction, expansion or modernization of infrastructure, including access to drinking water, sewage and sanitation services, energy (including energy distribution), and telecommunications (including broadband). Sustainalytics notes that investments will be targeted in areas where such infrastructure does not exist or is clearly inadequate and hinders a community's development, and views such criteria to be aligned with market expectations.
- In the Affordable Housing category, OFT contemplates the financing of investments that meet national or regional affordable housing definitions in the applicable jurisdiction. Sustainalytics notes that affordable housing programmes in various jurisdictions may vary in their focus and targeting, therefore they cannot guarantee that vulnerable and low-income populations will be the primary beneficiaries of any individual investment. Nonetheless, Sustainalytics notes positively that any affordable housing schemes considered under the Framework will be subject to approval by an external reviewer to ensure access to these populations. Overall, Sustainalytics expects these investments to deliver positive social impact and considers them to be aligned with market expectations.

<sup>6</sup> This criterion is drawn from the EU Taxonomy Delegated Act.

- In the Food Security and Sustainable Food Systems category, OFT may finance investments related to increasing food security.
  - Controlled Environment Agriculture such as specialized greenhouses which use minimal inputs, maximize production and are at least 30% more energy efficient than business-as-usual.
    - Sustainalytics views protected agriculture to be a green use of proceeds category, rather than social, unless projects are intended to increase food security in food insecure regions, and as such has assessed this activity for its environmental impact.<sup>7</sup> As protected agriculture may be a carbon intensive activity for some regions and crops, Sustainalytics considers it a market expectation to ensure that such investments strive to minimize carbon emissions, such as through the use of electric power and avoiding the use of heating. Recognizing that the Framework criteria commit to quantitative improvement thresholds, Sustainalytics encourages the Company to focus such investments on activities which are aligned with a low-carbon trajectory for the agricultural sector.
  - Logistics to improve food security and resilience of supply chain, including grain storage and elevators, in regions where such infrastructure is currently inadequate.
    - Sustainalytics recognizes the potential social impacts of investments in logistics and infrastructure that aim to increase food security and resilience of supply chain, and notes positively that the Framework specifies that investments will target regions and contexts where current infrastructure is inadequate. Sustainalytics encourages OFT to provide transparency substantiating the social impact of such investments as part of its annual reporting commitments.
- Sustainalytics views positively that the Framework specifically excludes financing related to the exploration, production and transportation of fossil fuels. Sustainalytics is of the opinion that the addition of exclusion criteria strengthens the Framework.
- Project Evaluation and Selection:
  - OFT will establish a Sustainable Bond Working Group (the “SBWG”) composed of members from various internal departments within OMERS, including finance, sustainable investing, legal, total portfolio management and tax. The SBWG will be responsible for the review and approval of eligible green and social projects in alignment with the Framework.
  - Eligible green and social projects will be subject to due diligence in line with OMERS Sustainable Investing Policy to manage and mitigate associated environmental and social risks. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional detail, see Section 2.
  - OFT intends to obtain an independent verification from an external reviewer on an annual basis to assess compliance of assets with the eligibility criteria under the Framework, the tracking process and management of proceeds. This is in line with market best practice.
  - Based on the establishment of the SBWG, the presence of risk management systems and the commitment to an external verification, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The SBWG will manage the proceeds of its green, social and sustainability bonds on a portfolio basis and will maintain a level of allocation to the portfolio that matches the bond proceeds.
  - The Issuer intends to fully allocate the proceeds of each green, social and sustainability bond issuance to eligible green and social projects within 24 months of issuance. For refinancing activities, eligible projects are subject to a look-back period of 36 months prior to the issuance year of green, social and sustainability bonds under the Framework. Pending allocation or in the event of early repayment, proceeds will be held temporary in line with OFT’s general liquidity guidelines.

<sup>7</sup> Protected agriculture may refer to a variety of implementations, ranging from fully enclosed greenhouses to less advanced technologies, such as shade houses. However, it is generally recognized that when well managed, these activities have the potential to result in lower use of water, fertilizer and pesticides than conventional agriculture. Furthermore, in some cases, it can help achieve substantial reductions in energy use as well.

- Based on the delegation of responsibility, allocation timeframe and disclosure around temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - OFT intends to report on the allocation of proceeds in a Sustainable Bond Report until the full allocation of each bond issuance. Allocation reporting will include the net proceeds raised from each green, social or sustainable bond issuance, the total amount of proceeds allocated to each eligible project category, the breakdown of allocation by geographic location, the share of refinancing versus financing and the balance of unallocated proceeds.
  - In addition, the Issuer is committed to reporting on relevant impact metrics where feasible. Impact reporting will include key performance indicators, such as renewable energy generation (MWh or GJ), energy savings (MWh), GHG emissions avoided in tonnes of CO<sub>2</sub>, area of certified green buildings in square feet by the level of certification, reduction in water use, tonnes of waste reduced, number of educational institutions funded, and number of affordable housing units built or refurbished.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainable Investing Approach at OMERS

### Contribution of Framework to OMERS' sustainable investing strategy

Sustainalytics is of the opinion that OMERS demonstrates a commitment to sustainability through its Sustainable Investing Policy.<sup>8</sup> OMERS' strategy for sustainable investing is focused on four key pillars: (i) integration of ESG factors into the investment analysis and lifecycle, (ii) active engagement with portfolio companies to enhance long-term value and manage ESG risks, (iii) collaboration with industry partners and other organizations to promote sustainable investing practices, including disclosure across ESG factors, and (iv) adaptation to emerging sustainability issues while continuing to advance capabilities and knowledge.<sup>9</sup>

OMERS aims to allocate capital to investments which have the potential to deliver long-term value, and provides ongoing oversight and influence of ESG issues in its portfolio companies. With regard to investment in private companies, OMERS leverages its board-level influence to encourage the companies to develop and maintain sustainable business practices and incorporate ESG into their strategies.<sup>10</sup> OMERS also maintains active engagement with its public investments to promote sustainable practices.

In relation to the green categories noted in the Framework, OMERS has set a goal to achieve net zero GHG emissions across its portfolio by 2050 and also aims to reduce the carbon intensity of its portfolio by 20% by 2025, compared to a 2019 baseline.<sup>11</sup> By the end of 2021, OMERS has invested more than USD 18 billion in green assets including green buildings, energy efficiency and renewable energy assets.<sup>12</sup> OMERS' investments in green buildings have achieved the following as of 2020: 23% fewer carbon emissions per square foot compared to 2015; more than 90% of buildings have achieved an industry-leading green building certification based on the region and asset class; and OMERS' sustainability performance was ranked in the top 7% of more than 12,000 funds by the Global Real Estate Sustainability Benchmark (GRESB).<sup>13</sup>

<sup>8</sup> OMERS, Sustainable Investing Strategy, at: <https://www.omers.com/sustainable-investing>

<sup>9</sup> OMERS, "Sustainable Investing: Vision and Mission", at: <https://www.omers.com/vision-and-mission>

<sup>10</sup> Private Equity International, "OMERS: ESG is part of fiduciary duty", (2021), at: <https://www.privateequityinternational.com/omers-esg-is-part-of-fiduciary-duty/>

<sup>11</sup> OMERS, 2021 Annual Report, at:

[https://assets.ctfassets.net/iifcbkds7nke/3fhXmKEfAvLlfDUQz12zH9/69d6269f9a4ff474aa1083371468b8fd/OMERS\\_2021\\_Annual\\_Report\\_FINAL-ua.pdf](https://assets.ctfassets.net/iifcbkds7nke/3fhXmKEfAvLlfDUQz12zH9/69d6269f9a4ff474aa1083371468b8fd/OMERS_2021_Annual_Report_FINAL-ua.pdf)

<sup>12</sup> OMERS, 2021 Annual Report, Green Assets, p.55, at:

[https://assets.ctfassets.net/iifcbkds7nke/3fhXmKEfAvLlfDUQz12zH9/69d6269f9a4ff474aa1083371468b8fd/OMERS\\_2021\\_Annual\\_Report\\_FINAL-ua.pdf](https://assets.ctfassets.net/iifcbkds7nke/3fhXmKEfAvLlfDUQz12zH9/69d6269f9a4ff474aa1083371468b8fd/OMERS_2021_Annual_Report_FINAL-ua.pdf)

<sup>13</sup> OMERS, 2020 Annual Report, Sustainable Investing Activities, p. 62, at:

[https://downloads.ctfassets.net/iifcbkds7nke/4vjIqRUrjWQt1jC8XiU3yY/e9f811b1c7a3b931c7790743ae8db638/2020\\_Annual\\_Report.pdf](https://downloads.ctfassets.net/iifcbkds7nke/4vjIqRUrjWQt1jC8XiU3yY/e9f811b1c7a3b931c7790743ae8db638/2020_Annual_Report.pdf)

In addition to its environmental commitments, OMERS has a stated focus on initiatives that have a positive impact on society. Aiming to promote diversity and inclusion, OMERS has committed to the 30% Club, encouraging boards to meet a 30% threshold for female representation at public company boards and executive management levels.<sup>11</sup> Furthermore, based on its 2020 Annual Report, several of OMERS' investments provided relief programmes through the COVID-19 pandemic.<sup>11</sup> In 2020, it deployed an additional CAD 6 billion (USD 4.7 billion) into businesses that provide fibre-to-the-home to support growing internet demand, cold storage warehousing for refrigerated foods, and power distribution in regions with growing populations.<sup>14</sup>

Given OMERS' policy commitments, carbon footprint targets, and participation in sustainability-focused initiatives, Sustainalytics is of the opinion that the Framework is aligned with OMERS' overall approach to sustainable investing and will further action on its key environmental and social priorities.

### **Well positioned to address common environmental and social risks associated with the projects**

Sustainalytics recognizes that the proceeds from the Framework will be directed towards eligible projects that are expected to have a positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics recognizes that all large investments, in particular those related to infrastructure and construction, may be associated with the risk of negative environmental and social impacts. Some key risks related to the projects financed by OFT include climate-related physical risk; biodiversity loss from infrastructure projects; air, soil and water emissions; workers' health and safety during construction or operation; and increased exposure of local communities to adverse effects. While OFT has limited involvement in the development of specific projects financed, it is exposed to environmental and social risks associated with companies that it may finance.

Sustainalytics is of the opinion that OFT is well positioned to manage and address potential risks through the implementation of the following:

- OMERS employs a formal risk framework<sup>15</sup> that governs its approach to identifying and managing ESG and climate change related risks. OMERS established the Climate Risk Working Group with the goal of developing a framework to evaluate climate risk across the portfolio including its total carbon footprint.
- OMERS' investment teams directly engage with investees' management and boards of directors. OMERS exercises proxy voting rights for investments in publicly traded equities according to its Proxy Voting Guidelines, which are reviewed and updated regularly.<sup>16,17</sup> In so doing, OMERS can actively promote sustainable business practices and long-term perspectives in its public investments. Investments in private assets are governed via board-level influence to encourage the maintenance and development of sustainable business practices.
- OMERS endorses transparent communication to investors with respect to assessments of climate-related risk.<sup>18</sup> It formally supports the alignment of ESG-related disclosures with standards published by the Sustainable Accounting Standards Boards (SASB)<sup>19</sup> and the Framework of the Task Force on Climate-related Financial Disclosures (TCFD).<sup>20</sup> OMERS also advocates the International Financial Reporting Standards (IFRS) Foundation to support the creation of a sustainability standards board.<sup>21</sup>
- Sustainable Investing-related policies and strategies are reviewed and approved by the Guarantor's Board, senior management and OMERS' Sustainable Investing Committee, as applicable.

Based on these policies, guidelines and procedures, Sustainalytics is of the opinion that OMERS has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

<sup>14</sup> OMERS, 2020 Annual Report Highlights, at: <https://www.omers.com/sites/2020-highlights/index.html>

<sup>15</sup> OMERS, 2020 Annual Report, Risk Management, p. 63, at:

[https://downloads.ctfassets.net/iifcbkds7nke/4vjlgRUrjWQt1jC8XiU3yY/e9f811b1c7a3b931c7790743ae8db638/2020\\_Annual\\_Report.pdf](https://downloads.ctfassets.net/iifcbkds7nke/4vjlgRUrjWQt1jC8XiU3yY/e9f811b1c7a3b931c7790743ae8db638/2020_Annual_Report.pdf)

<sup>16</sup> OMERS, Proxy Voting 2020, at: <https://www.omers.com/proxy-voting>

<sup>17</sup> OMERS, Proxy Voting Guidelines 2020, at:

[https://assets.ctfassets.net/iifcbkds7nke/76hZlwR6HOvjFxmWpODjgC/bc23a9ef6d0e1b54345755e04d7c69f6/OMERS-Proxy-Voting-Guidelines-April-2020-FINAL-Updated-Feb-27-2021\\_FINAL-ua.pdf](https://assets.ctfassets.net/iifcbkds7nke/76hZlwR6HOvjFxmWpODjgC/bc23a9ef6d0e1b54345755e04d7c69f6/OMERS-Proxy-Voting-Guidelines-April-2020-FINAL-Updated-Feb-27-2021_FINAL-ua.pdf)

<sup>18</sup> OMERS, Climate Change Strategy, at: <https://www.omers.com/climate-change>

<sup>19</sup> SASB, Value Reporting Foundation SASB Standards 2021, at: <https://www.sasb.org/>

<sup>20</sup> Task Force on Climate-related Financial Disclosures 2021, at: <https://www.fsb-tcf.org/>

<sup>21</sup> List of IFRS Standards 2021, at: <https://www.ifrs.org/issued-standards/list-of-standards/>



## Section 3: Impact of Use of Proceeds

All 10 use of proceeds categories are aligned with those recognized by the GBP or SBP. Sustainalytics focuses on six categories below whose impact is specifically relevant to OFT's financing activities.

### The role financial institutions in financing sustainable development sectors

The financial sector is both particularly susceptible to climate change risk and uniquely positioned to take actions which will have a positive impact.<sup>22</sup> According to a report from the International Renewable Energy Agency (IRENA), in order to achieve the 1.5°C trajectory envisioned by the Paris Agreement, the share of renewable energy in primary supply must grow from 14% in 2018 to 74% in 2050.<sup>23</sup> With regards to electrification, 90% of all electricity would need to be from renewables by 2050 as opposed to 9% in 2018. It is anticipated that 67% of emissions reductions in clean transport would be required to come from electrification and hydrogen. IRENA estimates that investments in energy transition will need to increase by 30% over current planned investments to reach USD 131 trillion between 2020 and 2050.<sup>23</sup> On the social side, vast numbers of people do not have access to basic services, such as healthcare, clean water, energy and sanitation, especially in developing countries. The United Nations Conference on Trade and Development estimates that to meet the SDGs by 2030, total annual investments in SDG-relevant sectors in developing countries will need to reach between USD 3.3 trillion and USD 4.5 trillion, which translates into an annual financing gap of approximately USD 2.5 trillion.<sup>24</sup>

The proceeds of the bonds issued under the Framework will be directed towards financing for companies and projects in a number of thematic areas, including renewable energy projects, energy efficiency improvements, clean transportation, green buildings, pollution prevention and control, access to essential services and affordable housing. Sustainalytics expects that the use of proceeds will enable companies to develop projects and technologies that support the ongoing decarbonization of the economy as well as contribute towards social inclusion.

### The environmental impact of projects financed by OFT's green and sustainability bonds

The Framework defines as eligible a range of environmentally beneficial projects, across six eligibility categories. Sustainalytics is of the opinion that investments for projects within all these areas have the potential to deliver positive environmental impact. Sustainalytics has further assessed the following four project areas that are particularly innovative and are anticipated to generate a large share of the sustainable bond's overall environmental benefits: Renewable Energy, Energy Efficiency, Green Buildings, and Clean Transportation.

#### Renewable Energy

The electricity and heat generation sectors are responsible for approximately 41% of global CO<sub>2</sub> emissions.<sup>25</sup> The International Energy Agency (IEA) estimates that annual global energy demand will increase by 9% from 2019 to 2030 despite the recent decline in demand as a result of the COVID-19 related economic contractions.<sup>26</sup> In this context, increasing the share of renewable energy generation has the potential to have a significant impact on meeting climate goals. A study from the IEA and the IRENA supports this assessment, estimating that 65%-70% of global primary energy demand would need to be met by low-carbon energy sources by 2050 in order to meet the 2°C target.<sup>27</sup> While the share of renewables in electricity generation increased from 26% in Q1 2019 to 28% in Q1 2020,<sup>28</sup> the rate of deployment would need to be ramped up significantly on a global scale in order to meet long-term international targets. According to an IEA report, renewable energy was the only energy source in 2020 that was expected to experience growth despite the lockdowns due to the COVID-19 pandemic,<sup>29</sup> indicating an upward trend in the renewable energy sector.

Sustainalytics expects OFT's potential financing of investments in the area of renewable energy to contribute positively to global environmental objectives.

<sup>22</sup> Global Risk Institute, "Climate Change: Why Financial Institutions should take note", at: <https://globalriskinstitute.org/publications/climate-change-why-financial-institutions-should-take-note/>

<sup>23</sup> IRENA, "World Energy Transitions Outlook: 1.5° Pathway", (2021), at: <https://www.irena.org/publications/2021/Jun/World-Energy-Transitions-Outlook>

<sup>24</sup> IFC, "Closing the SDG Financing Gap—Trends and Data", at: <https://www.ifc.org/wps/wcm/connect/842b73cc-12b0-4fe2-b058-d3ee75f74d06/EMCompass-Note-73-Closing-SDGs-Fund-Gap.pdf?MOD=AJPERES&CVID=mSHK14S>

<sup>25</sup> IEA, "CO<sub>2</sub> Emissions from Fuel Combustion", at: <https://webstore.iea.org/download/direct/4036>

<sup>26</sup> International Energy Agency, "World Energy Outlook 2020", at: <https://www.iea.org/reports/world-energy-outlook-2020>

<sup>27</sup> International Energy Agency and International Renewable Energy Agency, "Perspectives for the Energy Transition" (2017), at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Mar/Perspectives\\_for\\_the\\_Energy\\_Transition\\_2017.pdf](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Mar/Perspectives_for_the_Energy_Transition_2017.pdf)

<sup>28</sup> IEA, "Global Energy Review 2020", at: <https://www.iea.org/reports/global-energy-review-2020/electricity>

<sup>29</sup> IEA, "Global Energy & CO<sub>2</sub> Status Report 2020", at: <https://www.iea.org/reports/global-energy-review-2020/global-energy-and-co2-emissions-in-2020>

### Energy Efficiency

Improvements in energy efficiency are generally considered to be one of the most cost-effective ways to mitigate environmental impact, particularly by deferring the need for the provision of a new energy supply.<sup>30</sup> As per a report published by the IEA,<sup>31</sup> energy efficiency improvements have the potential to contribute to a 40% reduction in energy-related emissions over the next 20 years, which in turn can contribute towards achieving global climate goals.

OFT's potential financing of investments in this area are of particular importance as the American Council for an Energy-Efficient Economy has identified that closing the financing gap is "vital" for achieving the substantial energy savings that can result from deep retrofits.<sup>32</sup> Based on this context, Sustainalytics expects eligible energy efficiency projects to deliver positive environmental impacts.

### Green Buildings

In 2020, the building sector accounted for 30% of the global energy consumption and 30% of energy-related CO<sub>2</sub> emissions. The UN Environment Programme (UNEP) reports that the energy intensity per unit of floor area in the buildings sector needs to improve by 30% worldwide in order to be aligned with the targets under the Paris Agreement.<sup>33</sup> Furthermore, in order to meet the net zero carbon building stock by 2050 target, CO<sub>2</sub> emissions from buildings would need to decline by an estimated 50% by 2030.<sup>34</sup>

Furthermore, considering that the average LEED-certified green building is expected to use 32% less electricity than non-certified buildings,<sup>35</sup> the financing of certified green buildings has the potential to contribute positively to these goals. In this context, Sustainalytics views positively the Framework's inclusion of credible building certifications and expects the spending in green buildings to reduce emissions among building sectors globally.

### Clean Transportation

As of May 2020, the transportation sector was responsible for 24% of CO<sub>2</sub> emissions from fossil fuel combustion globally.<sup>36</sup> According to a report by the International Transport Forum, emissions from the sector have the potential to increase by 60% by 2050 in the absence of proper mitigation measures.<sup>37</sup> Moreover, the report also highlights that the measures proposed by countries are not sufficiently clear in assessing the environmental impact of the transportation sector and will likely lead to missing their national targets if growing emissions from passenger and freight mobility are not addressed.<sup>38</sup>

OFT has identified clean transportation options, including zero direct emission vehicles and associated infrastructure, and electrified public transit as areas in which it can provide a positive impact. Sustainalytics expects OFT's potential financing of investment in clean transportation projects globally to provide environmental benefits and facilitate the achievement of its GHG emissions targets.

### **The social impact of the projects funded by OFT's social and sustainability bonds**

The Framework includes four eligibility categories related to socially beneficial projects. Sustainalytics is of the opinion that investments in projects across these areas have the potential to deliver positive social impact. Sustainalytics has further assessed two project areas within the local context: Access to Essential Services, and Affordable Housing.

### Access to Essential Services

As per the World Bank, the literacy rate among the global adult population stands at approximately 86%.<sup>39</sup> However, the school enrolment rate is significantly lower at around 38%.<sup>40</sup> The World Bank has also identified that tertiary education is becoming the standard school-leaving point and recognizes that the benefits of post-

<sup>30</sup> EPA, "The Multiple Benefits of Energy Efficiency and Renewable Energy", at: [https://www.epa.gov/sites/production/files/2018-07/documents/mbg\\_1\\_multiplebenefits.pdf](https://www.epa.gov/sites/production/files/2018-07/documents/mbg_1_multiplebenefits.pdf)

<sup>31</sup> IEA, "Energy Efficiency 2020", at: <https://webstore.iea.org/download/direct/4259>

<sup>32</sup> ACEEE, "Deep retrofits: Financing needs to play a critical role", <https://aceee.org/blog/2019/05/deep-retrofits-financing-needs-play>

<sup>33</sup> UNEP, "Global Status Report 2017", [https://www.worldgbc.org/sites/default/files/UNEP%20188\\_GABC\\_en%20%28web%29.pdf](https://www.worldgbc.org/sites/default/files/UNEP%20188_GABC_en%20%28web%29.pdf)

<sup>34</sup> UNEP, "Building Sector Emission hit record high, but low-carbon recovery can help transform sector-UN report", at: <https://www.unep.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic>

<sup>35</sup> U.S. Green Building Council, "The business case for green buildings", at: <https://www.usgbc.org/articles/business-case-green-building>

<sup>36</sup> IEA, "Tracking Transport Globally", at: <https://www.iea.org/reports/tracking-transport-2020>

<sup>37</sup> ITF, "Transport demand set to triple, but sector faces potential disruptions", at: <https://www.itf-oecd.org/transport-demand-set-triple-sectorfaces-potential-disruptions>

<sup>38</sup> ITF, "Transport Outlook 2017", January 2017, <https://www.itf-oecd.org/sites/default/files/docs/transport-co2-paris-climate-agreement-ndcs.pdf>

<sup>39</sup> World Bank, "Literacy rate, adult total (% of people ages 15 and above)", at: <https://data.worldbank.org/indicator/SE.ADT.LITR.ZS>

<sup>40</sup> World Bank, "School enrollment, tertiary (% gross)", at: <https://data.worldbank.org/indicator/SE.TER.ENRR>

secondary education include lower levels of unemployment, higher wages, greater social stability, increased civic engagement, and better health outcomes.<sup>41</sup>

Given the above context, Sustainalytics is of the opinion that OFT's potential financing of investments in educational and training projects are expected to positively contribute towards the access to essential services.

#### Affordable Housing

The UN estimates that approximately 3 billion people will require affordable housing in cities by 2030. A McKinsey and Company study suggests that the affordable housing gap now stands at USD 650 billion a year, with the gap expected to increase further as urban populations expand.<sup>42</sup> More than 55% of the global population currently lives in urban areas, and this figure is expected to increase to 68% by 2050.<sup>43</sup>

Considering the above, Sustainalytics is of the opinion that the Affordable Housing category is expected to create a positive social impact by increasing the availability and accessibility of affordable housing.

#### **Alignment with/contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the Framework are expected to help advance the following SDGs and targets:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
Renewable Energy	7. Affordable and clean energy	7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology  7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean water and sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Pollution Prevention and Control	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater

<sup>41</sup> World Bank, "Higher Education", at: <https://www.worldbank.org/en/topic/tertiaryeducation>

<sup>42</sup> McKinsey Global Institute report, "Tackling the world's affordable housing challenge", at: <https://www.mckinsey.com/featuredinsights/urbanization/tackling-the-worlds-affordable-housing-challenge>

<sup>43</sup> Rainmaking, "55% of the world's population currently lives in urban areas", (2020), at: <https://rainmaking.io/article/55-of-the-worlds-population-currently-lives-in-urban-areas/>

	12. Responsible consumption and production	<p>adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>
Access to Essential Services	<p>3. Good health and well-being</p> <p>4. Quality Education</p>	<p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p> <p>4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university</p> <p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p>
Affordable Basic Infrastructure	6. Clean water and sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Affordable Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Food Security and Sustainable Food Systems	2. Zero hunger	<p>2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</p> <p>2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment</p>

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## Conclusion

OFT has developed the OMERS Sustainable Bond Framework under which it may issue green, social and sustainability bonds and use the proceeds to finance and refinance projects expected to, among others, support the development of green buildings, renewable energy generation, improvement in energy efficiency and infrastructure that improves access to healthcare and affordable housing. Sustainalytics considers that the projects funded by the green, social and sustainability bond proceeds are expected to provide positive environmental and social impact.

The Framework outlines a process for tracking, allocating and managing proceeds and makes commitments for OFT to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with OMERS' overall sustainability strategy and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 6, 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that OFT has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.





Based on the above, Sustainalytics is confident that OMERS Finance Trust is well positioned to issue green, social and sustainability bonds and that the OMERS Sustainable Bond Framework is robust, transparent and in alignment with the Sustainability Bond Guidelines (2021) as well as the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).

## Appendices

### Appendix 1: Summary of Referenced Green Building Certification Schemes

	<b>BREEAM</b>	<b>LEED</b>	<b>NABERS<sup>44</sup></b>	<b>BOMA BEST</b>
<b>Background</b>	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	The National Australian Built Environment Rating System (NABERS) is a performance rating tool for existing buildings in Australia. It is administered by the NSW Office of Environment and Heritage, and is used to measure building's energy efficiency, carbon emissions, water consumed, waste produced, and compare it with similar buildings.	BOMA BEST, administered by the Building Owners and Managers Association (BOMA) of Canada, is a certification program for existing buildings. The assessment considers performance and operation of buildings in a wide range of performance and operations categories.
<b>Certification levels</b>	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum	1-star (Poor) 2-stars (Below Average) 3-stars (Average) 4-stars (Good) 5-stars (Excellent) 6-stars (Market Leading)	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>
<b>Areas of Assessment: Environmental Project Management</b>	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.	There are several ratings available based on the type of building and the applicant (building tenant, or owner and/or manager). The rating tools available for office buildings are: - Energy (without Greenpower) -Energy (with Greenpower) -Carbon Neutral -Waste -Water -Indoor Environment	<ul style="list-style-type: none"> <li>• Comfort</li> <li>• Health and Wellness</li> <li>• Custodial</li> <li>• Purchasing</li> <li>• Stakeholder Engagement</li> </ul>
<b>Areas of Assessment: Environmental Performance of the Building</b>	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority	NABERS ratings for office buildings and tenancies are based on 12 months of (real) operational data, rather than potential performance estimate.  There is a Carbon Neutral Certification available, as an extension to NABERS Energy rating, for buildings of NABERS Energy rating of 4-stars or above.	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Water</li> <li>• Air</li> <li>• Waste</li> <li>• Site</li> </ul>

<sup>44</sup> National Australian Built Environment Rating System (NABERS), at: <https://www.nabers.gov.au/ratings>

			There are rating system for different types of buildings, including apartment buildings, office buildings, office tenancies, shopping centers, data centers, and hotels.	
<b>Requirements</b>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item<sup>45</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>		<p>Minimum requirements independent of level of certification; score based on checklist to determine certification level.</p> <p>The minimum best practices and category scoring is adjusted for seven different asset classes: office, enclosed shopping centres, light industrial, open air retail, universal, MURB, and health care.</p>
<b>Performance display</b>				

<sup>45</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	OMERS Finance Trust
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	OMERS Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 18, 2022
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.



## 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Access to Essential Services, Affordable Basic Infrastructure, Affordable Housing, and Food Security and Sustainable Food Systems – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 9, 11 and 12.

### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure   | <input checked="" type="checkbox"/> Access to essential services                        |
| <input checked="" type="checkbox"/> Affordable housing  | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security   | <input type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

OMERS Finance Trust's ("OFT") Sustainable Bond Working Group, which will be comprised of representatives from five functional divisions will be responsible for the selection and approval of eligible projects. OMERS' environmental and social risk management systems and processes are applicable to all allocation decisions made under the OMERS Sustainable Bond Framework. Sustainalytics considers the risk management processes to be adequate and the project selection process to be in line with market practice.

#### Evaluation and selection

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the Issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):   |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

OMERS Finance Trust's management team will be responsible for the management of proceeds. OFT has defined a lookback period of 36 months for refinancing eligible projects and intends to fully allocate within 24 months of each issuance. Pending allocation or in the event of any early repayment, proceeds will temporarily be held in line with OFT's liquidity guidelines. This is aligned with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the Issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |

- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

**4. REPORTING**

Overall comment on section (if applicable):

OMERS Finance Trust intends to report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the net proceeds raised from each issuance, the total amount of net proceeds allocated to each project category, the breakdown of allocation by geographic location, the share of refinancing versus financing and the balance of unallocated proceeds. In addition, OFT is committed to reporting on relevant impact metrics. Sustainalytics views OFT's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

**Information reported:**

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify): net proceeds raised, allocation by geographic location, financing vs. refinancing

**Frequency:**

- Annual
- Semi-annual
- Other (please specify):

**Impact reporting:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Number of beneficiaries
- Target populations
- Other ESG indicators (please specify):

Renewable Energy	<ul style="list-style-type: none"> <li>Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>Capacity of renewable energy plant(s) to be served by transmission systems (MW)</li> </ul>
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	<ul style="list-style-type: none"> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>Annual energy savings in MWh/GWh</li> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>Area of certified green buildings in square feet and by certification level</li> <li>Annual amount of waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a</li> <li>Annual absolute (gross) water use before and after the project in m<sup>3</sup>/a, reduction in water use in %</li> <li>Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m<sup>3</sup>/a and p.e./a and as %</li> <li>Annual Absolute (gross) GHG emissions from the project in tonnes of CO2 equivalent</li> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes</li> <li>Annual GHG emissions reduced/avoided in tCO<sub>2</sub>-e p.a.</li> <li>Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</li> </ul>
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> <li>Annual absolute (gross) water use before and after the project in m<sup>3</sup>/a, reduction in water use in %</li> <li>Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m<sup>3</sup>/a and p.e./a and as %</li> </ul>
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>Tons of waste reduced</li> <li>Tons of secondary raw materials or compost produced</li> <li>Absolute or % reduction in air/water pollutants</li> <li>Number of people or % of population provided with improved municipal waste treatment or disposal services</li> <li>Number of people or % of population with access to waste collection under the project</li> <li>The absolute amount or % of residual non-separated waste before and after the project</li> <li>Added monetary value created using waste</li> <li>Reduction in air emissions</li> <li>GHG emissions abated</li> </ul>
Access to Essential Services	<ul style="list-style-type: none"> <li>Number of beneficiaries</li> <li>Number of hospital and other healthcare facilities built/upgraded</li> <li>Number of educational institutions funded, location and type</li> </ul>
Affordable Basic Infrastructure	<ul style="list-style-type: none"> <li>Number of beneficiaries</li> <li>Households/population connected</li> </ul>
Affordable Housing	<ul style="list-style-type: none"> <li>Number of beneficiaries</li> <li>Rental costs compared to the national/regional rent index</li> <li>Number of affordable housing units built or refurbished</li> </ul>
Food security and sustainable food systems	<ul style="list-style-type: none"> <li>Number of beneficiaries</li> </ul>

**Frequency:**

- Annual
  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report  
 Information published in ad hoc documents
  Other (please specify): Sustainable Bond report  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to Issuer’s documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification  
 Verification / Audit
  Rating  
 Other (*please specify*):

**Review provider(s):**

**Date of publication:**

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- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the Issuer may provide a Second-Party Opinion. The institution should be independent from the Issuer’s adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the Issuer’s overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the Issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines

specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

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