



# Sustainable Bond Framework

March 2022

## Background

Founded in 1962, the Ontario Municipal Employees Retirement System Primary Pension Plan (Primary Plan) is a jointly sponsored, defined benefit pension plan, with approximately 1,000 participating employers ranging from large cities to local agencies and over half a million active, deferred and retired members.

Our members include union and non-union employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children's aid societies across the province of Ontario, in Canada. Contributions to the Primary Plan are funded equally by members and employers.

OMERS believes that the environmental, social and governance (ESG) lens is a key factor in delivering pension value. Investors around the globe are sharpening their focus on sustainable investing. At OMERS, sustainability is engrained in our culture, and an integral part of how we invest. A consideration of ESG factors is one of many lenses OMERS uses to assess risk and value. Our members understand that integrating ESG factors into our investment approach is not a trade-off for strong returns, but rather a key part of delivering value for future generations.

Unless the context requires otherwise, "OMERS", "we", "our" or "us" refers to OMERS Administration Corporation 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 other subsidiaries of OMERS.



## Approach to Sustainable Investing

Sustainable investing at OMERS is grounded in four overarching principles – integration, engagement, collaboration and adaptation. Investment teams in each asset class are responsible for implementing these principles.



### Integration

ESG factors are integrated into our investment analyses and asset management practices alongside other investment considerations. Our investment approval processes require specific discussion of material ESG risks and opportunities. These factors include climate change, labour practices and human capital, inclusion and diversity, business conduct and board structure, among others.



### Engagement

Our investment teams actively promote sustainable business practices and long-term perspectives through direct engagement with management and boards of directors. As investors in publicly traded equities, we exercise our proxy voting rights according to our Proxy Voting Guidelines, which we review and update regularly. When investing in private assets, we typically acquire governance rights, including board seats. We exert our board-level influence to encourage the investee company to maintain and build on sustainable business practices. Through this active governance, OMERS influences material ESG performance in our investees' strategies and operations.



### Collaboration

We collaborate with like-minded organizations to exchange information and to advocate for better transparency and performance on relevant standards, practices and regulations. We partner with international organizations and like-minded investors to promote collaboration and knowledge sharing on ESG matters, including: Accounting for Sustainability; Investor Leadership Network; Sustainability Accounting Standards Board Alliance; and the Canadian Coalition for Good Governance.



### Adaptation

We recognize that the sustainable investing landscape is rapidly evolving and therefore we are continually assessing and enhancing our capabilities and practices. We remain committed to being transparent and ensuring that our approach remains relevant and effective over time.

## Sustainable Investing Policy

OMERS believes that well-run organizations with sound ESG practices will perform better, particularly over the long term. This belief is formalized in our Statement of Investment Policies and Procedures and described in our Sustainable Investing Policy<sup>1</sup>, which applies to all asset classes across the OMERS investment portfolio. Central to this policy is our commitment to reduce the intensity of our portfolio greenhouse gas emissions over time. We have committed to a goal to achieve net-zero greenhouse gas emissions across our total portfolio by 2050, and to reduce the carbon intensity of our portfolio by 20% by 2025, with five-year successive interim goals to follow.

## Sustainable Investing Governance

The OMERS Board approves the OMERS Sustainable Investing Policy on an annual basis, setting our strategic approach, and our senior management is responsible for overseeing its execution. Board members receive regular reporting on our sustainable investing practices, which includes education sessions on climate change. Our Sustainable Investing Committee includes representation from across our enterprise and provides a forum to discuss sustainable investing issues, share best practices and advance OMERS knowledge and expertise in these areas.



<sup>1</sup> OMERS Sustainable Investing Policy: <https://www.omers.com/sustainable-investing-policy>



A large, vibrant photograph of a forest scene. In the foreground, a young child and an adult are walking along a path covered in lush green ferns. The child is wearing a grey hoodie and blue shorts, while the adult is wearing an orange jacket and grey shorts. The background is filled with tall, slender trees and dappled sunlight filtering through the canopy. A faint rainbow is visible in the upper left portion of the forest scene.

# OMERS Sustainable Bond Framework



OMERS Finance Trust (OFT or the issuer) has developed this sustainable bond framework (Framework) to align with the OMERS Sustainable Investing Policy. The Framework will guide any green, social or sustainable bonds<sup>1</sup> issued by OFT. OFT is an independent entity which issues debt unconditionally and irrevocably guaranteed by OMERS. OFT also extends loans to entities in which OMERS has a majority economic interest.

This Framework addresses the four core components of the ICMA Green Bond Principles<sup>2</sup> ("ICMA GBP"), the ICMA Social Bond Principles<sup>3</sup> ("ICMA SBP") and the ICMA Sustainability Bond Guidelines ("ICMA SBG")<sup>4</sup>:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting



1 As such terms are defined in the International Capital Market Association's Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2021, and Sustainability Bond Guidelines (SBG) 2021.

2 International Capital Market Association, The Green Bond Principles (GBP) 2021, published June 2021. <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

3 International Capital Market Association, The Social Bond Principles (SBP) 2021, published June 2021. <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

4 International Capital Market Association, The Sustainability Bond Guidelines (SBG) 2021, published June 2021. <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

## Use of Proceeds

OFT will allocate, in part or in full, an amount equivalent to the net proceeds raised from any OFT Green, Social or Sustainable Bond issued under this Sustainable Bond Framework to finance or refinance the following eligible businesses and eligible assets in the eligible categories as defined herein. Eligible green or social assets include existing investments made up to 36 months prior to the issuance year of any OFT Green, Social or Sustainable Bond as well as new investments made after issuance. Where a business derives 90% or more of its revenues from activities in Eligible Categories, it will be considered as eligible for an allocation of the proceeds of any OFT Green, Social or Sustainable Bond issued.

## GREEN PROJECT CATEGORIES

Eligible Category per ICMA Green Bond Principles	Green Assets Eligibility Criteria
Renewable Energy	<p>Investments dedicated to generation, transmission and distribution of energy from renewable sources including:</p> <ul style="list-style-type: none"> <li>i. Wind</li> <li>ii. Solar</li> <li>iii. Geothermal with direct emissions &lt;100 g CO<sub>2</sub>/kWh</li> <li>iv. Hydropower<sup>1</sup> with power density &gt;5 W/m<sup>2</sup></li> <li>v. Waste biomass</li> <li>vi. Renewable natural gas from farms with 80% GHG emissions reduction compared to fossil fuel baseline, and sourced from a sustainable feedstock</li> <li>vii. Landfill gas capture with gas capture efficiency &gt;45% and closed/decommissioned landfills only</li> </ul>
Energy Efficiency	<p>Investments that reduce energy consumption, including:</p> <ul style="list-style-type: none"> <li>i. Energy-efficient heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment that results in at least 30% energy savings</li> <li>ii. Projects that reduce losses in the delivery of bulk energy services or enhance integration of intermittent renewables such as energy storage, smart grids, demand response</li> <li>iii. Projects that enable monitoring and optimization of the amount and timing of energy consumption such as smart meters, flywheeling, load control systems, sensors, IoT solutions, or building information systems</li> <li>iv. Network transformation resulting in energy efficiency including fibre deployment to replace existing copper/coax wiring</li> </ul>

<sup>1</sup> Large hydro assets >25 MW will be subject to an assessment, based on recognized best practice guidelines, of environmental and social risks and measures to address such risks.

Eligible Category per ICMA Green Bond Principles	Green Assets Eligibility Criteria
Green Buildings	<p>Investments in new or existing commercial or residential buildings that have:</p> <ol style="list-style-type: none"> <li>achieved or expect to achieve, based on third-party assessment, greenhouse gas emission performance in the top 15% of their city, or</li> <li>received, or expect to receive based on its design, construction and operational plans, certification according to third party verified green building standards, such as: <ul style="list-style-type: none"> <li>• LEED Gold or Platinum standard</li> <li>• NABERS 4 Star or above</li> <li>• BOMA Best Gold</li> <li>• BREEAM Excellent or above</li> <li>• other equivalent certification schemes, subject to the approval of the external reviewer</li> </ul> </li> </ol>
Clean Transportation	<p>Investments in low-carbon transport assets including:</p> <ol style="list-style-type: none"> <li>Zero direct emission vehicles and associated infrastructure (including hydrogen, fuel cell, electric)</li> <li>Infrastructure, rolling stock and vehicles for electrified public transport and freight, except where the primary purpose is fossil fuel transport</li> </ol>
Sustainable Water and Wastewater Management	<p>Investments that improve water quality, water efficiency, or climate change resilience, including:</p> <ol style="list-style-type: none"> <li>Technologies and projects for collection, distribution, treatment, recycling or reuse of water, rainwater or wastewater</li> <li>Infrastructure for flood prevention, flood defence or stormwater management</li> </ol>
Pollution Prevention and Control	<p>Investments that reduce and manage emissions and waste generated, including:</p> <ol style="list-style-type: none"> <li>Technologies and projects for collection, sorting, treatment, recycling or reuse of emissions, waste, hazardous waste or contaminated soil <ol style="list-style-type: none"> <li>Chemical recycling is only undertaken when mechanical recycling is not feasible, and where lifecycle GHG emissions of plastics manufactured through chemical recycling are lower than the equivalent plastic manufactured from fossil fuel feedstock</li> </ol> </li> <li>Technologies and projects to salvage, use, reuse and recycle post-consumer waste products</li> <li>Waste treatment and environmental remediation projects, including land treatment and brownfield clean-up, soil washing, chemical oxidation, bioremediation</li> <li>Reduction of air emissions, greenhouse gas control, and carbon capture technologies</li> </ol>



## SOCIAL PROJECT CATEGORIES

Eligible Category per ICMA Social Bond Principles	Social Assets Eligibility Criteria
Access to Essential Services	Investments in public, free or subsidized <sup>1</sup> essential services, including: <ul style="list-style-type: none"> <li>i. Infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centres</li> <li>ii. Infrastructure for the provision of child, youth or adult education and vocational training services</li> </ul>
Affordable Basic Infrastructure	Investments in the construction, expansion or modernization of infrastructure including access to drinking water, sewage and sanitation services, energy (including energy distribution), and telecommunications (including broadband), where such infrastructure does not exist or is clearly inadequate and hinders a community's development
Affordable Housing	Investments meeting national/regional affordable housing definitions in the applicable jurisdiction <sup>2</sup>
Food Security and Sustainable Food Systems	Investments in Controlled Environment Agriculture including specialized greenhouses that use minimal inputs, maximize production and are at least 30% more energy efficient than business as usual Investments in logistics to improve food security and resilience of supply chain, such as grain storage and/or elevators, where such infrastructure does not exist or is clearly inadequate and hinders a community's access to food

## EXCLUSIONS

OMERS recognizes that emissions abatement in the fossil fuel sector is a critical contributor to achieving net-zero greenhouse gas emissions, and that significant investments will need to be made to reduce, capture and monitor emissions in oil and gas to meet the goals of the Paris Agreement. However, in alignment with global taxonomies and index standards for green and sustainable finance, all investments related to the exploration, production and transportation of fossil fuels will be ineligible for inclusion in any OFT Green, Social or Sustainable Bond issued under this Sustainable Bond Framework, even where such investments are intended to support the sector's transition.

<sup>1</sup> Subsidized services will be evaluated to ensure expansion of access, and inclusion of any subsidized assets will be subject to approval of the external reviewer.

<sup>2</sup> Affordable housing schemes will be evaluated on a case-by-case basis to ensure expansion of access, and any inclusion will be subject to approval of the external reviewer.

## Process for Project Evaluation and Selection

All eligible green and social assets are subject to the OMERS approach to Sustainable Investing, as described above.

Prior to inclusion in the eligible asset portfolio, green or social assets will be subject to the following due diligence, which ensures that they meet the criteria set out above in the Use of Proceeds section.

OFT will establish a Sustainable Bond Working Group ("SBWG"). Individuals appointed by the OFT Board of Directors will serve on the SBWG from the below departments within OMERS:

- Finance
- Sustainable Investing
- Legal
- Total Portfolio Management
- Tax

The SBWG will be a committee of OFT. Individuals serving on the SBWG will be officers of the trustee of OFT or will be made available to the trustee by OMERS. The SBWG will meet on at least a semi-annual basis. The composition of the SBWG may change over time and other members may be added when necessary.

The role of the SBWG is to evaluate and identify eligible green or social assets and to report its conclusions to OFT. Eligible green or social assets include investments that comply with the eligibility criteria as defined by this Framework. The SBWG will monitor the green or social assets during the life of the transaction. If any eligible green or social asset exits the OMERS portfolio or ceases to fulfil the eligibility criteria, the SBWG will substitute the asset with replacement eligible green or social assets that comply with the eligibility criteria on a best-efforts basis. Eligible assets can include assets held by OMERS directly or indirectly through subsidiary entities.

The SBWG will also recommend to OFT allocations of net proceeds and manage any future updates to the Framework. If updates are made to any of the Framework's core components, OFT will secure an updated Second Party Opinion.



## Management of Proceeds

The net proceeds of each OFT Green, Social or Sustainable Bond will be notionally earmarked towards eligible green or social assets as stated in the Use of Proceeds section of this Framework.

OMERS intends to maintain an aggregate amount of eligible green or social assets that is at least equal to the aggregate net proceeds of all Green, Social or Sustainable Bond issuances that are outstanding from time to time under this Framework.

OFT intends to allocate the proceeds of a given Green, Social or Sustainable Bond issuance to eligible green or social assets originated no more than three years prior to the issuance. The proceeds will be allocated within two years from the date of issuance. In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, the SBWG will direct proceeds to be used in accordance with the normal liquidity activities of OFT.

## Reporting

As long as there are outstanding Green, Social or Sustainable Bonds and until their maturity, OFT will publish annually (and on a timely basis in case of material developments) a Sustainable Bond Report which will include allocation and impact reporting as detailed below. The report will be done on a portfolio basis and will be made publicly accessible on [OFT's website](#).

### ALLOCATION REPORTING

OFT will provide the following details:

- I. Net proceeds raised from each OFT Green, Social or Sustainable Bond
- II. Aggregate amount of proceeds allocated to each eligible project category
- III. Allocation by geographic location
- IV. Allocation to refinancing versus new financing
- V. Balance of unallocated net proceeds

## IMPACT REPORTING

Where feasible, OFT will provide reporting on relevant potential impact metrics for eligible green or social assets including:

Eligible Category per ICMA Green Bond Principles	Potential Impact Reporting data
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> <li>Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> 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 CO<sub>2</sub> 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, minimized, reused or recycled before and after the project in % of total waste and/or absolute amount in tonnes per annum</li> <li>Annual absolute (gross) water use before and after the project in m<sup>3</sup> per annum; 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> per annum and population equivalent per annum and as %</li> <li>Annual absolute (gross) GHG emissions from the project in tonnes of CO<sub>2</sub> equivalent</li> <li>Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> 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 tonnes CO<sub>2</sub> equivalent per annum</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> per annum; 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> per annum and population equivalent per annum and as %</li> </ul>



Eligible Category per ICMA	
Green Bond Principles	Potential Impact Reporting data
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>• Tonnes of waste reduced</li> <li>• Tonnes 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>
Eligible Category per ICMA	
Social Bond Principles	Potential Impact Reporting data
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>

# External Review<sup>1</sup>

## Second Party Opinion

OFT has appointed Sustainalytics to provide a pre-issuance external review of the OMERS Sustainable Bond Framework, and confirm its alignment with the ICMA GBP, SBP, and SBG. This Second Party Opinion document will be made available on OFT's website.

## Post-Issuance External Verification

On an annual basis and as long as there are still Green, Social or Sustainable Bonds outstanding, OFT will obtain an independent external verification of:

- The compliance of assets to which proceeds of any issuance under this Framework have been allocated with eligibility criteria defined in the use of proceeds section.
- Internal tracking process and allocation of amounts related to the eligible green or social assets to which the Green, Social or Sustainable Bond proceeds have been allocated (as compared to the planned use of proceeds).
- The management of the allocation of proceeds and unallocated proceeds amount.

The external reviewer's report will be published on [OFT's website](#).

In the unlikely event that the external verification finds assets that do not comply with the criteria described in the Use of Proceeds section above, the SBWG will remove these assets from the Sustainable Bond Register.



<sup>1</sup> In accordance with the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews issued by the International Capital Market Association in February 2021.



## Amendments to This Framework

This Framework was approved by the Board of Directors of OFT on September 17, 2021. The SBWG will review this Framework on a regular basis, including its alignment to updated versions of the ICMA GBP, SBP, and SBG as and when they are released, with the aim of adhering to best practices in the market. Such review may result in the SBWG recommending to OFT that this Framework be updated and amended. Material updates will be subject to the prior approval of the OFT Board of Directors and Sustainalytics. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on OFT's website and will replace this Framework.

### Disclaimer

This Sustainable Bond Framework is provided for informational purposes only and is subject to change without notice. After the date of this document, neither OMERS nor OFT assumes any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by OMERS or OFT for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document. Nothing in this document shall constitute, or form part of, an offer to sell or solicitation of an offer to buy or subscribe for any security or other instrument of OMERS or OFT or any of their affiliates, or as an invitation, recommendation or inducement to enter into any investment activity, and no part of this document shall form the basis of or be relied upon in connection with any contract, commitment, or investment decision whatsoever. Offers to sell, sales, solicitation of offers to buy or purchases of securities issued by OFT and guaranteed by OMERS or any affiliate thereof may only be made or entered into pursuant to appropriate offering materials prepared and distributed in accordance with the laws, regulations, rules and market practices of the jurisdictions in which such offers, solicitations or sales may be made. Professional advice should be sought prior to any decision to invest in securities. This Sustainable Bond Framework is not intended to constitute financial, legal, tax, investment, professional or expert advice. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to law or regulation. This Sustainable Bond Framework may contain projections and forward-looking statements within the meaning of certain securities laws, including the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements contained in this document may include, but are not limited to, statements regarding OFT and OMERS and their future performance. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would". By their very nature, forward-looking statements require certain assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that predictions, forecasts, projections, expectations or conclusions will not prove to be accurate and that such assumptions may not be correct. Readers are cautioned not to place undue reliance on these statements as a number of risk factors could cause actual results to differ materially from the expectations expressed in such forward-looking statements. Except as required by law, none of OFT or OMERS or their affiliates undertakes to update any forward-looking statement that may be made from time to time in this document.