



2023 Responsible
Investing Report



OPTrust

OPTrust's Responsible Investing (RI) program is an integral component of our investment strategy, contributing to sustainable pension security for our members. We recognize that environmental, social and governance (ESG) factors can materially affect investment risk, return and our reputation. Every investment professional at OPTrust is responsible for including ESG risks and opportunities in their decision making and prioritizing stewardship in their asset management activities. This approach supports the Plan in navigating an increasingly complex investment environment and is grounded in our fiduciary duty to our members.

With growing recognition of ESG materiality and increasing urgency to act on sustainability issues, we are continuing to bolster our ESG integration and stewardship capabilities through the implementation

of our 2022 climate change strategy, enhanced ESG data management and commitments to ensure portfolio resiliency. Most notably, we announced an interim portfolio decarbonization target of 30 per cent by 2030 and supporting stewardship targets to help deliver on our ambition of achieving a net-zero portfolio by 2050, while preserving pension sustainability through the world's decarbonization journey. Our role as an asset owner uniquely positions us to drive positive change within our portfolio and the capital markets more broadly, and we recognize the importance of using our voice to promote sustainable investment for the benefit of our members and other stakeholders.

As part of our commitment to transparency and disclosure, we are pleased to report on our RI activities and advancements from the past year.

2023 Highlights



Released an **update on our climate strategy with metrics and targets to track and drive progress towards a more climate-resilient portfolio**, as well as a climate metrics toolkit to share our learnings from this process with other investors.



Voted at 880 company meetings in 29 countries.



Engaged 113 companies on key ESG issues.



Completed our **first full-scale data collection cycle for COMPAS (Capturing OPTrust Management and Progress Around Sustainability)**, our internally developed ESG data program.



Completed our **Responsible Investing Partner Evaluation on 100% of new externally managed investments and engaged with prioritized partners.**

Continued to be an active voice in investor collaborative initiatives, including **UNPRI's Private Equity Advisory Committee**, **Thinking Ahead Institute's climate change working group**, and **Ceres' private equity working group**.

Climate change strategy

Recognizing that maintaining Plan sustainability requires addressing climate sustainability, OPTrust has a long-standing commitment to building portfolio resiliency and adaptability against an uncertain and volatile climate trajectory. In 2022, we launched our enhanced [climate change strategy](#), centred on our ambition of achieving a net-zero portfolio by 2050 to manage the risks and seize the opportunities of a transitioning global economy.

Over the past year, OPTrust has made considerable progress in the strategy's delivery across its four pillars: **investment strategy and selection, asset management, portfolio analytics and advocacy and disclosure**. This included the development of an innovative [climate metrics framework](#) to support our climate risk management and strategic investment planning, as well as the establishment of initial targets to guide the implementation of our climate commitments. In our [2022-23 TCFD report](#), we shared our interim carbon footprint reduction target of 30 per cent by 2030 (against a 2022 baseline) and supporting stewardship and process objectives geared towards enhancing our climate data quality and understanding of our portfolio's climate risk profile.

We also continued to grow our sustainable incubation strategy to gain exposure to investments that enable decarbonization and are poised to benefit from the global low-carbon transition. The portfolio now spans a diverse range of climate thematic areas, including sustainable energy, low-carbon transportation, circular economy and clean technology. Our strategic partnerships provide further benefit to the Total Portfolio through exposure to sustainable innovations and insights that can strengthen climate resiliency across investment strategies.



Responsible investing partnerships

Following the development of our Responsible Investing Partner Evaluation (RIPE) framework by a cross-investment division working group in 2020, 2023 marks our third year of completing RIPE due diligence on all investments in external funds and managers. The evaluation provides a consistent approach for deal teams to identify, assess and document our investment partners' RI competencies and understand their ability to effectively manage ESG risks and opportunities on our invested capital. Over time, investment teams have built up RIPE coverage across their externally managed portfolios and are able to tailor ongoing engagement with their partners based on strengths and areas of opportunity flagged at the initiation of our investment.

To advance the investment strategy and selection pillar in our climate change strategy, the RIPE framework was augmented in 2023 with climate-focused criteria to facilitate rigorous evaluation of our partners' climate risk management and alignment of our externally managed investments with OPTrust's net-zero ambition.

Active ownership and stewardship

Active ownership and stewardship are integral components of our RI strategy that support value creation and proactive risk management for long-term investment success. We leverage our governance rights and investor voice to push for progress on sustainability issues at our investee companies and with our investment partners. Recognizing the power of collective advocacy, we participate alongside like-minded investors in collaborative engagements with companies and policymakers with the aim of achieving systemic advancements on material ESG issues.

Proxy voting

Good governance practices contribute to long-term performance and enhance shareholder value. For our public equity investments, proxy voting is an important avenue for us to support best practices and hold companies accountable for their governance and business practices. We exercise our voting rights wherever possible and vote in accordance with our Board-approved [Proxy Voting Guidelines](#), which outline our expectations for important issues such as board composition, ESG performance and executive compensation.

OPTrust advocates for the appointment of directors who embody diversity of gender and background to promote the consideration of different perspectives and stronger decision-making. We support proposals asking companies to pursue best practices to increase the representation of underrepresented groups on boards and vote against accountable directors if boards have less than 30 per cent women or no racially diverse directors (in markets reporting this information). As part of our commitment to improve diversity in our portfolio companies, we voted against 216 director nomination proposals in 2023 due to inadequate board gender balance.

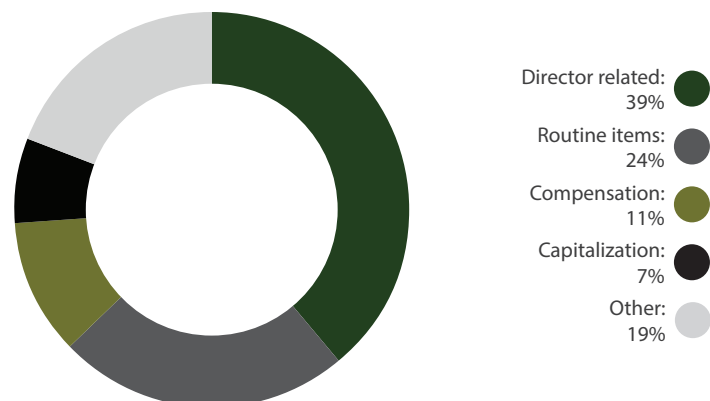


OPTrust voted with management on **82%** of proposals, against on **18%**.

In 2023, OPTrust voted at **880 meetings** in 29 countries:



OPTrust voted on **6,932 proposals** in the following categories:



Corporate engagement

Corporate engagement is another key lever in our active ownership approach. Through dialogue with boards and management teams at investee companies, we advocate for improved practices and robust risk management to enhance long-term value and proactively manage emerging ESG issues. We partner with our engagement provider and investor associations, such as the Canadian Coalition for Good Governance and Climate Action 100+, to amplify investor influence and drive change across the capital markets.

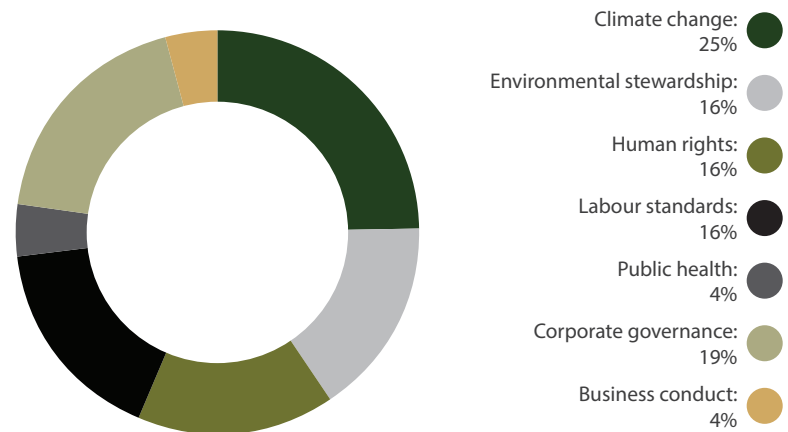
While divestment may ultimately be necessary in certain situations where a company's activities or conduct are incompatible with long-term value, we generally prefer engaging with companies to seek real progress in their ESG performance. Keeping our seat at the table enables us to unlock the benefits of improved ESG practices and is particularly crucial for wide-reaching sustainability issues such as climate change and biodiversity that require systemic change for overall portfolio resiliency.

2023 Engagement milestones:

- **Climate change:** Banco Bradesco published its first standalone climate report, in line with TCFD recommendations. The report details its climate risk management approach and progression towards meeting the company's Net Zero Banking Alliance commitments.
- **Corporate governance:** Alibaba improved its board structure by separating its CEO and Chair roles to facilitate balanced responsibility and accountability between management and the board.
- **Diversity and inclusion:** MediaTek added its first female director to the board, taking an important step in enhancing board diversity.
- **Human rights:** Hewlett Packard strengthened and formalized its human rights due diligence for sales in high-risk areas.

Engagement thematic areas

524 companies engaged across 28 countries



Capturing OPTrust's Management and Progress Around Sustainability (COMPAS)

ESG data remains a persistent challenge for all investors, including OPTrust given our globally diversified and multi-asset portfolio. Progress requires intentional leadership from asset owners, and in this spirit, a cross-asset-class working group developed COMPAS, an internal ESG data initiative. The COMPAS framework draws from leading ESG data standards, such as the ESG Data Convergence Initiative and is tailored to OPTrust's strategies and RI priorities.

The program's goals include identifying strengths and weaknesses in our management of ESG issues to strengthen investment decision-making, as well as proactively responding to evolving stakeholder expectations around ESG disclosure.

Following a pilot in 2022, we conducted COMPAS' first full-scale ESG data collection cycle in 2023 across the Total Portfolio to establish a baseline of ESG performance. The metrics collected span environmental, social and governance areas and measured both our RI practices and the sustainability performance of our investments. Examples include the percentage of our real estate assets with sustainability certifications, the percentage of our external partners reporting on ESG performance and representation of women and underrepresented groups within our external partners.

While we are still in the early stages of this long-term project, linked to a larger movement of asset owners pushing the investment industry for more consistent and useful ESG information, we are encouraged by the initial results that indicate a strong RI foundation across our portfolios. For instance, the vast majority of our external partners have an ESG policy in place and most are reporting on ESG performance, particularly in strategies where ESG factors are highly material.

Conversely, this exercise has illuminated areas where we can prioritize engagement for strengthening portfolio sustainability.

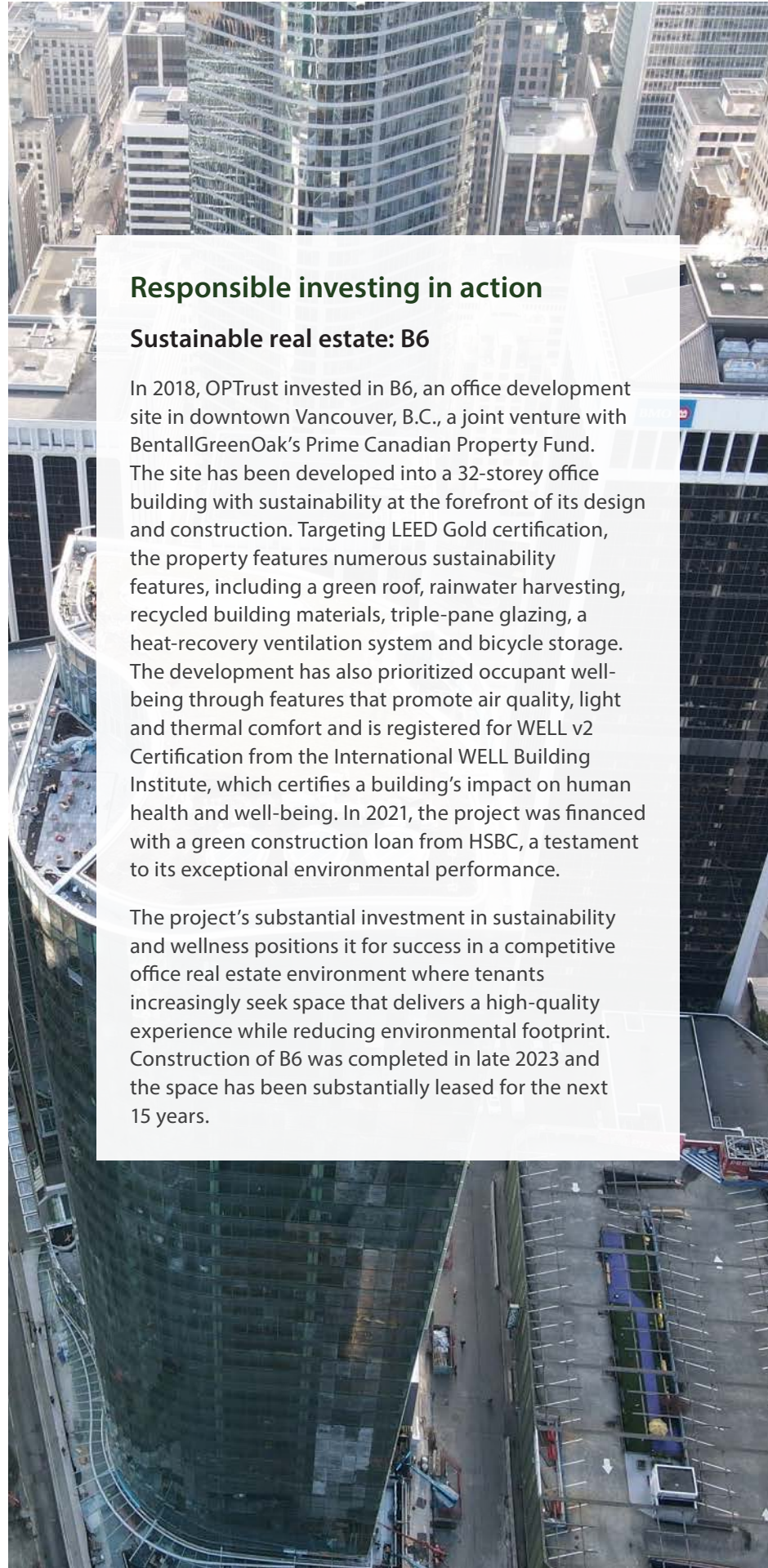
- At the moment, a minority of our external partners have set a net-zero emissions target. While this figure is unsurprising given the significant uncertainty around the world's decarbonization trajectory and, in many strategies, a relatively low level of climate risk, it does represent an opportunity for us support further adoption of decarbonization commitments and improve portfolio alignment with our net-zero ambition.
- At our external partners, investment team composition is far from gender parity or fully representative of individuals from underrepresented groups. These metrics are emblematic of the broader investment industry's diversity gaps, and as a strong advocate for inclusive and equitable organizations, OPTrust will continue to support our partners in improving the diversity of their teams.

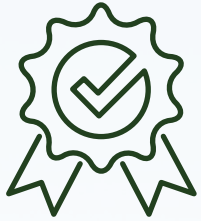
Responsible investing in action

Sustainable real estate: B6

In 2018, OPTrust invested in B6, an office development site in downtown Vancouver, B.C., a joint venture with BentallGreenOak's Prime Canadian Property Fund. The site has been developed into a 32-storey office building with sustainability at the forefront of its design and construction. Targeting LEED Gold certification, the property features numerous sustainability features, including a green roof, rainwater harvesting, recycled building materials, triple-pane glazing, a heat-recovery ventilation system and bicycle storage. The development has also prioritized occupant well-being through features that promote air quality, light and thermal comfort and is registered for WELL v2 Certification from the International WELL Building Institute, which certifies a building's impact on human health and well-being. In 2021, the project was financed with a green construction loan from HSBC, a testament to its exceptional environmental performance.

The project's substantial investment in sustainability and wellness positions it for success in a competitive office real estate environment where tenants increasingly seek space that delivers a high-quality experience while reducing environmental footprint. Construction of B6 was completed in late 2023 and the space has been substantially leased for the next 15 years.





Zenith Energy: Decarbonization deal of the year

Since 2019, OPTrust has been invested in Zenith Energy, a leading Australian independent power producer that installs and operates standalone energy generation systems for communities and the resources sector across the country. The company won Decarbonization Deal of the Year at the Infrastructure Awards 2023 (Oceania) for the arrangement of sustainable performance-linked debt facilities in relation to the acquisition of a 510-megawatt portfolio of distributed energy assets aimed at decarbonizing Australia's extractive industries.

Zenith Energy enables sustainable outcomes through the establishment of on-site renewable energy sources to facilitate decarbonization of operations in traditionally hard-to-abate industries. As these industries continue to manage their environmental impact more intentionally, Zenith Energy is a crucial partner in delivering clean and reliable power.

Zenith Energy has set an interim target of a 20 per cent reduction in carbon intensity by 2025 and an ambitious goal of net zero emissions by 2035. Over this timeframe, the company is committed to transitioning their portfolio of energy assets to 100 per cent renewable power generation, focusing on solar and wind power.



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