



a collective
COMMITMENT

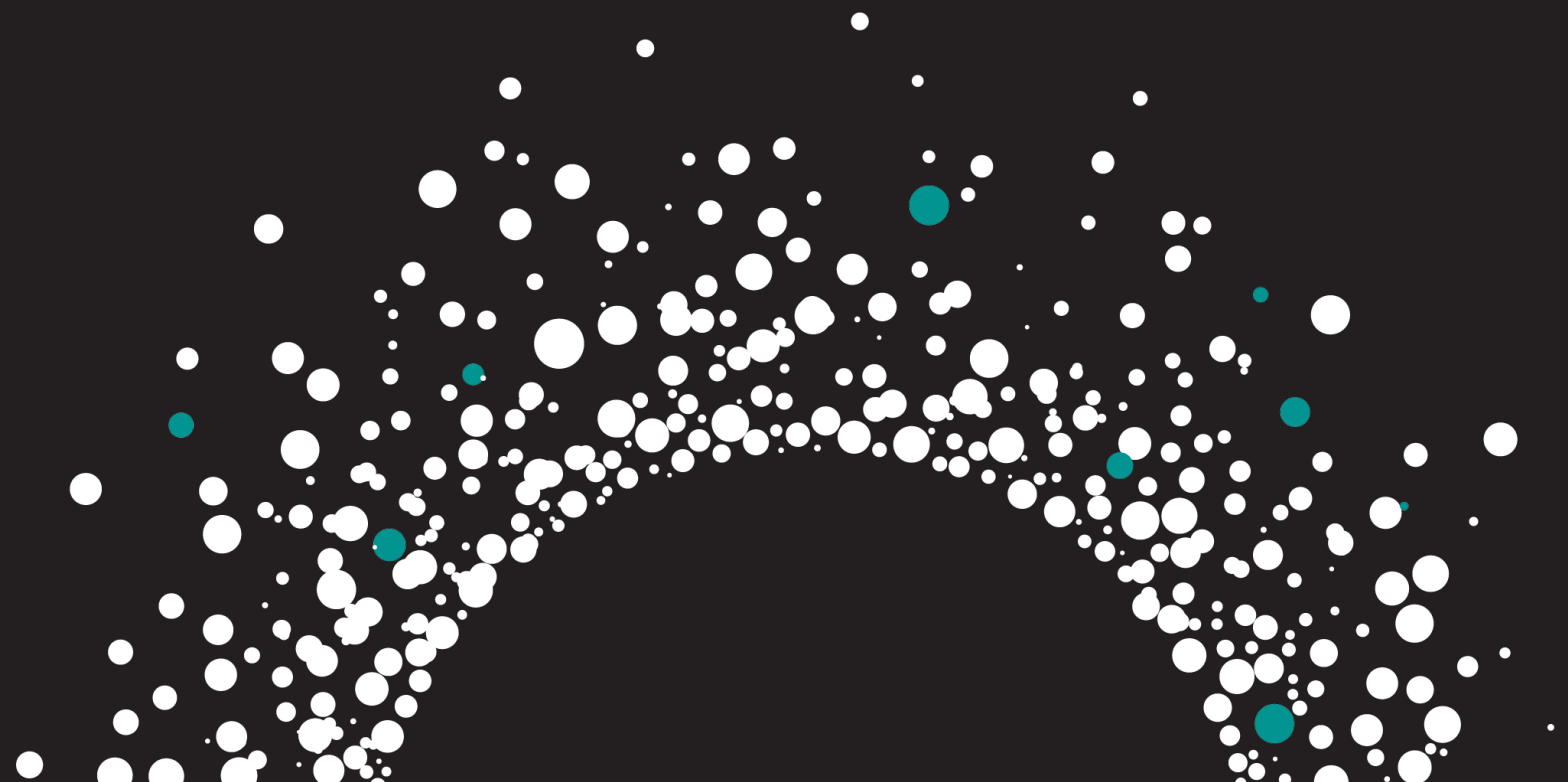
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about OPTRUST

With net assets of over \$25 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan (including OPTrust Select), a defined benefit plan with over 100,000 members.

OPTrust's **Responsible Investing program** is integral to our mission to provide sustainable pension security for our members.



message from the **PRESIDENT AND CEO**

Investing sustainably for the long-term health of the OPSEU Pension Plan (the Plan) and delivering peace of mind in retirement for over 100,000 members is OPTrust's focus each and every day. As a global investor, we believe our ability to pay pensions decades into the future, to create value for our members and to make better investment decisions requires a sound Responsible Investing (RI) program.

Established 15 years ago, OPTrust's RI program has evolved in sophistication, impact and reach, owing to the strong expertise of our investment teams and their steadfast approach to identifying and managing environmental, social and governance (ESG) risks and opportunities.

2021 was a year of significant achievement for OPTrust. We strengthened our ESG capabilities, advanced inclusion, diversity and equity in our portfolios, invested in climate solutions and continued our climate strategy renewal, among other priorities. I am pleased to share *A Collective Commitment*, our 2021 Responsible Investing Report, with you – our members, sponsors and stakeholders – detailing OPTrust's RI activities in 2021.

As we move beyond the pandemic and face increased geopolitical uncertainty, there is no question about the importance of keeping ESG at the forefront. I am deeply appreciative of our team's leadership and collective commitment to this effort.



A handwritten signature in black ink, appearing to read 'Peter Lindley', written over a light grey background.

Peter Lindley
President and Chief Executive Officer

"We believe investing responsibly is critical to the sustainability of our pension plan. Over the past year, we made significant progress building out our tools and capabilities to help embed ESG considerations in everything we do. Our program continues to grow and mature, and it is gratifying to see that our commitment to continuous improvement helps provide peace of mind for our members."

JAMES DAVIS
Chief Investment Officer



"When I joined OPTrust in 2019, I was inspired by the organization's commitment to keep the Plan sustainable for our members and their families. Over the past two years, it's been an honour to build on OPTrust's legacy of investing responsibly with my colleagues in the Sustainable Investing and Innovation team, the Investment Division and the broader organization."

As this report suggests, it is a collaborative and rewarding experience and I'd like to thank every member of the team for their efforts and commitment."

ALISON LOAT
Managing Director, Sustainable Investing and Innovation



responsible investing 2021 HIGHLIGHTS



Voted at **1,744** company meetings in **51** countries



Strengthened our private markets **ESG capabilities** with a sample ESG policy and policy library



Engaged **410** companies on key environmental, social and governance (ESG) issues



Continued to be an active voice in **investor collaborative initiatives**, including the Ontario Capital Markets Modernization Task Force, UNPRI Asset Owner Technical Advisory Committee and the Thinking Ahead Institute's climate change working group



Rolled out our **Responsible Investing Partner Evaluation** framework to 100% of new externally-managed investments



Created toolkits to assist investment teams in advancing **inclusion, diversity and equity** in their portfolios



Initiated an **ESG data program** to better track and understand our responsible investing performance across the total fund



Revised our **Proxy Voting Guidelines** to keep up with evolving best practices in corporate governance

responsible investing GOVERNANCE

Strong internal governance is integral to fulfilling our responsibilities over the long term to our members and stakeholders. Our responsible investing (RI) governance approach is designed to leverage the depth of expertise and functions at OPTrust to ensure we continually improve environmental, social and governance (ESG) integration across our portfolios.

The **Responsible Investing Committee (RIC)** is chaired and vice-chaired by the Chief Investment Officer (CIO) and the Managing Director, Sustainable Investing and Innovation (SII), respectively, and is comprised of the Investment Division's Managing Directors who also report to the CIO. Collectively, they provide input and direction on our RI strategy and program and ensure their respective teams advance key RI objectives. The RIC reviews and recommends changes to OPTrust's **Statement of Investment Policies and Procedures**, **Statement of Responsible Investing Principles** and **Proxy Voting Guidelines**.

The **Climate Response Working Group (CRWG)** is comprised of professionals from across the organization focused on advancing numerous work streams that strengthen OPTrust's readiness in the face of climate change. The CRWG provided input into OPTrust's climate strategy renewal and leads its implementation (see page 16 for more detail).

The **Responsible Investing Leaders Group (RLG)** is chaired by the Managing Director of SII and, together with the SII team, oversees the execution of RI plans and programs. With representatives from the Investment Division and other functional areas in the organization, the RLG facilitates ESG reporting and data collection, communicates RI activities and builds organizational RI knowledge.

In addition, we form other working groups from time-to-time as needed, such as the 2020-21 group that developed and led the initial roll-out of our Responsible Investing Partner Evaluation framework, described on page 10.

OPTrust's RI program has evolved from a team of two and a 10-person committee to an effort involving over 60 professionals from every asset class and division across the organization. The collective achievements advancing OPTrust's RI approach are reflected throughout this report.

responsible investing IN ACTION

At OPTrust, we know environmental, social and governance (ESG) factors can materially impact investment risk and return, as well as our reputation. Through effective identification, analysis and management of ESG issues and opportunities, our investment teams enhance the value of our assets around the globe and position our portfolios for sustainable growth over the long term.



CASE STUDY

575 Princess Street, Kingston, Ontario

OPTrust partnered with three other investors to develop the Geo – the first large multi-family residential building in Kingston to utilize a geothermal energy source. In 2021, the drilling was completed for the geothermal heat pump system, which can yield a 33 per cent decrease in energy use and 47 per cent decrease in greenhouse gas emissions compared to a traditional HVAC system. The property's energy efficiency will significantly lower its carbon footprint and support the City of Kingston's ambition to achieve carbon neutrality by 2040. The energy savings will also translate to lower operating costs, enhancing the property's value over time.

CASE STUDY

Kinetic, Australia and New Zealand

As Australia and New Zealand's largest mass transit bus operator, Kinetic is investing in lower-emissions transportation and community engagement.

In 2021, Kinetic began operation of their AirportLink bus service in South Auckland – the first large-scale electric public bus service in Australia and New Zealand. Compared to conventional diesel buses, the service has already abated over 100 tons of carbon emissions in its first year. Kinetic is also pursuing additional emission reduction solutions, including further electrification of its bus fleet and sourcing of renewable energy for its depots and offices.

Over the year, Kinetic made significant strides in advancing diversity and inclusion within its organization and communities. Kinetic launched the Women Out Front program to develop and retain female drivers across its network through a dedicated training program and supportive human capital practices. It also launched a Reconciliation Action Plan as part of a long-term commitment to strengthening relationships with local First Nations' communities by creating employment opportunities and promoting cultural diversity and understanding. Kinetic is working towards gender balance and Indigenous employment parity in its workforce as well as creating opportunities for all to contribute to the development of clean transport solutions of the future, stewarding natural and human capital responsibly for sustainable growth over the long term.



progress through **PARTNERSHIP**

ELEVATING OUR PARTNERSHIP PRACTICES

Developed in 2020 by an internal working group of investment professionals, OPTrust's Responsible Investing Partner Evaluation (RIPE) framework outlines a cross-fund approach for deal teams to consistently capture responsible investing (RI) considerations in externally-managed investments. It also lays the groundwork for ongoing monitoring and engagement of our partners' RI performance, allowing us to more systematically understand and learn as approaches to RI evolve across all asset classes.

2021 marked the first year RIPE was fully integrated into the investment process. Evaluations were completed for all deals with new external managers and funds, spanning all investment teams and a variety of strategies to deepen our understanding of our partners' competencies. This due diligence also demonstrates our RI commitment to our partners and sets the foundation for collaboration, engagement and communication over the investment horizon.

The evaluations identified partners who are at an earlier stage in developing their RI practices, with whom we will advocate for progress, as well as partners who exemplify the leading standard for RI in their respective space, from whom we can learn. We will continue to integrate this assessment into external investments and leverage the insights collected to engage strategically with our partners on improving their management of environmental, social and governance (ESG) issues.



"The RIPE approach has brought tremendous learning on key pillars of RI – from governance and initial diligence through to reporting and disclosure – and has strengthened our relationships with our investment partners. Above all, it has provided opportunities for our investment professionals to share insights across asset classes, bringing new ideas to how we continually improve our ESG integration in the future."

LAURA SONG

Analyst, Sustainable Investing and Innovation

A FOCUS ON THE FUTURE: CLIMATE-CENTERED INVESTMENT STRATEGY

Over the course of 2021, the Sustainable Investing and Innovation (SII) team built out a sustainability-centered investment strategy with an initial focus on climate change solutions. SII executes this mandate through external funds and has made two commitments to date in the sustainable infrastructure and circular economy spaces.

LINDSAY SALDANHA, Associate Portfolio Manager, and **JAMES KISIL**, Portfolio Manager, reflected on the strategy's progress over 2021 and the value of partnership for investing in sustainability solutions.

"We are building our network to supplement our expertise and have engaged with close to 100 general partners and other like-minded investors focused on sustainable investment across North America and Europe. Through meetings and due diligence discussions, we established numerous relationships within the interconnected climate investing space and laid the foundation for ongoing learning and collaboration."

"As the global economy shifts to more sustainable operations, we are keeping our focus on the future and the opportunity to contribute to the innovation that is necessary to enable the transition. The funds we are partnering with are on the front lines of the climate crisis – finding, and allocating capital to, companies whose innovations are playing leading roles in the low carbon transition, across diverse industries such as clean technology, transportation, agriculture and resource efficiency. These investments will contribute to the financial health of our fund while supporting sustainable prosperity for future generations."

"We also identified numerous opportunities through these partnerships for collaboration and information sharing across asset classes. We expect to leverage insights from our partners' comprehensive impact measurement and ESG reporting in progressing our own capabilities."



active ownership AND STEWARDSHIP

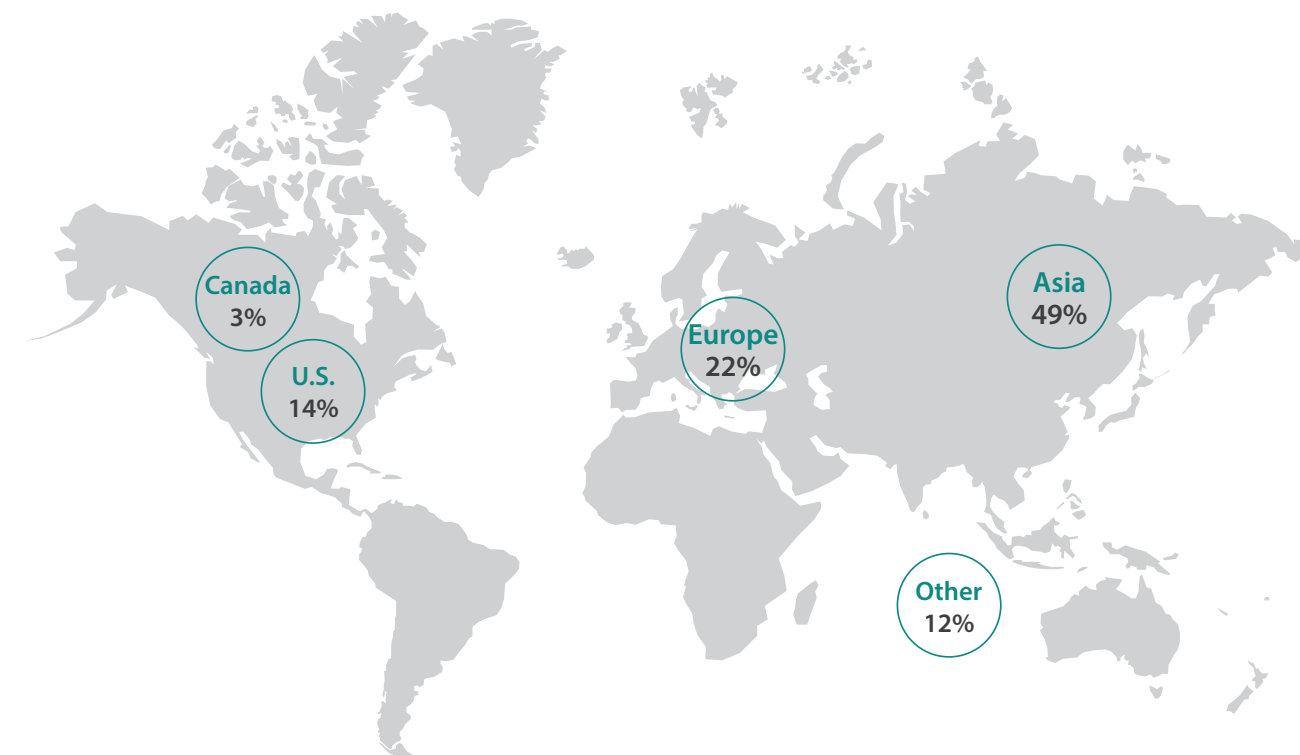
Active ownership is a key pillar of our long-term approach to investing. We believe good governance forms the foundation for sustainable performance and effective risk management, and we are committed to using our influence as an asset owner to enhance value and create positive change at our assets.

PROXY VOTING

For public equities held in our portfolio, we exercise our rights and fulfill our duties as shareholders by voting in accordance with our Board-approved [Proxy Voting Guidelines](#) to promote effective governance at our portfolio companies.

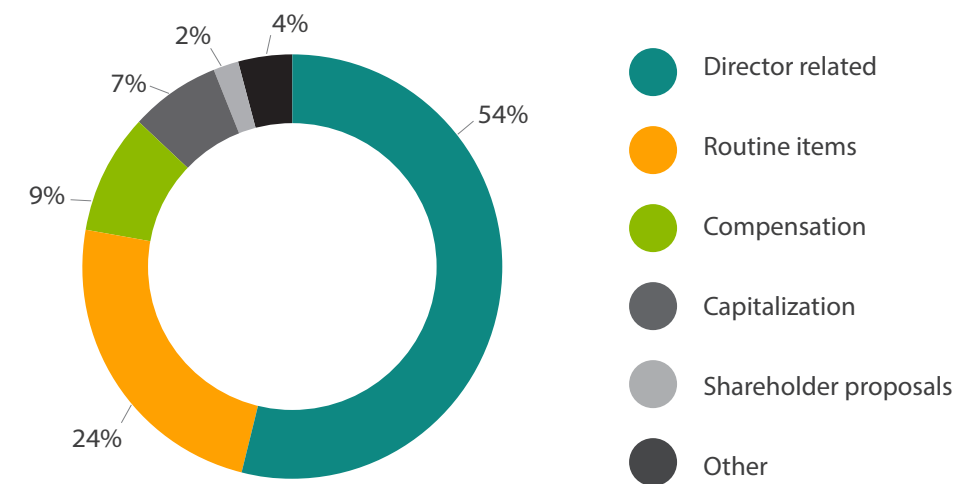
2021 Proxy Voting Highlights

OPTrust voted at 1,744 meetings in 51 countries.



Note: meetings voted by geography

OPTrust voted on 19,604 proposals in the following categories:



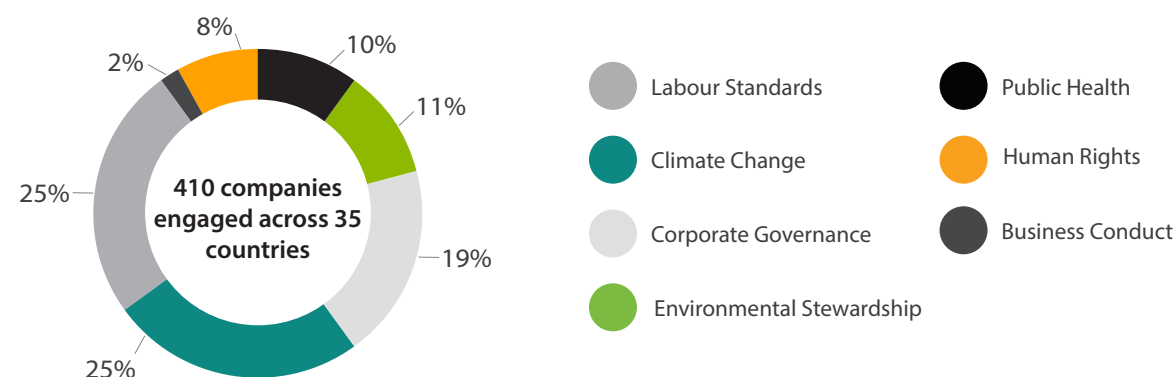
- Voted **with management** on 86 per cent of proposals and voted **against management** on 14 per cent of proposals
- Voted **against 456 director nomination proposals** due to inadequate board gender balance

CORPORATE ENGAGEMENT

Corporate engagement with our portfolio companies is another lever we use to fulfill our responsibilities as an active steward of our members' capital. We work with our engagement partner and investor associations, including the Canadian Coalition for Good Governance, Climate Action 100+ and the 30% Club, to engage with investee companies on key environmental, social and governance (ESG) issues that contribute to sustainable performance. Results and examples of our 2021 engagements are highlighted below.

2021 Engagement Milestones

- **Climate change:** Taiwan Semiconductor announced it aims to reach net-zero emissions by 2050, with a short-term goal of achieving zero emissions growth by 2025.
- **Corporate governance:** Raia Drogasil SA appointed four new independent directors, bringing independent and female representation on the board up to 45 per cent from 22 per cent last year and 27 per cent from 11 per cent last year, respectively.
- **Diversity and inclusion:** Loblaw Companies set a target to increase visible minority representation at the board to 25 per cent by 2024, one of the few companies in Canada to do so.
- **Corporate governance:** Credicorp developed and began implementing a five-year sustainability program that aims to embed ESG factors across the entire business. It also expanded the scope and depth of its sustainability reporting.
- **Labour standards:** Unilever committed not to work with any businesses, including suppliers of goods and services, that do not pay their staff a living wage by 2030.
- **Environmental stewardship:** Archer-Daniels-Midland strengthened its policies to address deforestation in the value chain, including a commitment to fully end deforestation in its supply chain by 2030.



COLLABORATIVE INITIATIVES

At OPTrust, we work collaboratively with like-minded organizations – in partnership with our peers, industry associations and other external organizations – to strengthen the investor voice and advocate for improved sustainability and transparency in financial markets.

2021 Highlights



CEO appointed to the **Canadian Coalition for Good Governance's** Board of Directors and its Member Engagement and Public Policy Committees.



Worked with the **30% Club** to update its goals after successful achievement of initial targets for women on boards.



Served on the **Thinking Ahead Institute** climate change working group and **Ceres'** private equity climate working group, both of which published new approaches to better integrate climate considerations into institutional investing.



Signed the 2021 **Global Investor Statement to Governments on the Climate Crisis**, supported by 733 investors managing over US\$52 trillion in assets.



Selected to represent Canada on the **United Nations Principles for Responsible Investment (UNPRI's)** private equity working group.



Undertook a joint submission with Canadian peer plans to the **Securities and Exchange Commission** in support of climate change disclosures regulation.

climate change STRATEGY

In 2021, OPTrust struck a cross-organizational committee called the Climate Response Working Group (CRWG) to lay the groundwork for the renewal of our 2018 Climate Change Action Plan and implement key areas of work under the new strategy.

This committee, which currently involves 30 professionals from across investments, finance, investment risk and legal services, advanced a number of work streams to enhance OPTrust's climate readiness and lay the foundation for our new climate strategy, including:

- Mapping key strengths and gaps in OPTrust's capabilities based on global best practices (i.e., Task Force on Climate-related Financial Disclosures) and developing a multi-year program to advance climate readiness.
- Facilitating several board and management-wide working sessions to build awareness and gather feedback for the CRWG's priority areas.
- Completing research on regulatory, legal and other landscape changes.
- Conducting top-down climate scenario analysis to identify potential impacts on our funded status.
- Initiating bottom-up portfolio mapping to identify climate risks and develop mitigation plans in each asset class.
- Piloting data services to enable quantitative analysis of climate impact across all asset classes and facilitate more accurate tracking of climate data, including greenhouse gas emissions.

The CRWG's work received OPTrust's Annual CEO Award for excellence in December 2021.

Learn more about our approach to [climate change](#).

PERSONAL PERSPECTIVES

Members of the CRWG share their perspectives on participating in the renewal of OPTrust's climate strategy and building OPTrust's approach to climate integration in its investments.



"As a mom, I want to do whatever I can to leave my children a clean environment to live in. It makes me proud to be part of OPTrust as we have placed great importance on climate change through climate-conscious investments, and ensuring we disclose thoughtful analysis and assessments to promote future discussions and accountability."

AMY AU Director, Finance

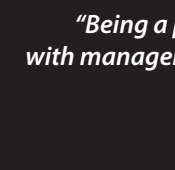
"The biggest challenge is that there's no blueprint for this initiative. There's no precedent or road map to follow. When you start working through it, you quickly realize there's also not a lot of historical data to observe. You're essentially starting from scratch, which can be a challenge but is exciting at the same time."

JERRY PAN Associate Portfolio Manager, Portfolio Construction Research



"I am excited to be a part of the CRWG because a climate-conscious investment strategy is both essential to OPTrust's mandate, and an opportunity to support the global transition to a greener future."

MONICA FIRMINGER Portfolio Manager, Total Fund Completion Portfolio Strategies



"Being a part of the CRWG has elevated my role at OPTrust. Through this group, I have been able to work with management teams and take real, actionable steps forward in helping combat one of the most defining issues of our time."

LARA LIEBOVITZ Associate Portfolio Manager, Private Markets Group



"As a father of three young children, I want to do my part to preserve the planet for future generations. It's an exciting opportunity to be part of this diverse group in leading OPTrust on this journey to make a positive difference and help tackle climate change."

ALVIN YEUNG Director, Investment Risk

"As the CRWG chair, it's exciting to see the evolution of our thinking over the past few months. We're moving from a high-level understanding of climate change to more nuanced thinking around potential climate risks in our portfolio and how we should manage them. This is not an easy task, and the intellectual curiosity and humility that everyone brings to the table is noteworthy."

SHWETA ARYA Associate Portfolio Manager, Sustainable Investing and Innovation





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