

STATEMENT OF RESPONSIBLE INVESTING PRINCIPLES

Board Policy



Effective:
December 5, 2024

Overview

OPTrust's responsible investing (RI) strategy supports the organization's mission to deliver sustainable pension security for all members. OPTrust recognizes that environmental, social and governance (ESG) factors can materially impact investment risk, return and reputation. Our RI strategy seeks to identify, assess and manage these concerns and opportunities over our long-term investment horizon to protect and enhance investment performance and ultimately fulfill our commitment to our members' pension security. Effective management of these factors further benefits our stakeholders by promoting stewardship of the natural and human capital essential to sustainable prosperity.

This approach to RI reflects OPTrust's fiduciary responsibility to the Plan's members and its responsibilities to its sponsors and is aligned with the United Nations-supported Principles for Responsible Investing (PRI), to which OPTrust is a signatory.

General

The Statement of Responsible Investing Principles (SRIP) provides a flexible framework which enables OPTrust to incorporate its RI strategy in different ways across its investment programs. The SRIP describes the high-level principles OPTrust employees follow as part of the investment process and while engaging with regulators and the companies in which we invest. The SRIP also sets out how the SRIP is applied by investment management and reported to stakeholders.

Guiding Principles

OPTrust recognizes our duty to understand and manage, to the best of our ability, material ESG risks that may impact our ability to generate our necessary long-term rate of return and to identify opportunities created by ESG factors.

Our investment activities are guided by the following principles, all of which are subject to and support OPTrust's fiduciary duty to ensure sustainable pension security:

- 1. Strong corporate governance:** We support and encourage good corporate governance practices at the entities in which we invest. Companies that follow well-accepted principles of good

governance tend to have better risk-adjusted returns and improved alignment between corporate, investor and broader stakeholder interests.

- 2. Environmental stewardship:** We support and encourage measures taken by the entities in which we invest to protect the environment. OPTrust expects its investee companies to ensure compliance with environmental regulations and strive for generally accepted best practices to sustainably steward natural capital. In particular, companies should proactively manage and adapt to the risks and opportunities arising from climate change and the transition to a lower-carbon economy.
- 3. Responsible treatment of people and communities:** We support and encourage equitable practices relating to employees, communities and other stakeholders, including:
 - Fair wages, benefits and working conditions for workers employed by OPTrust assets;
 - Participation by unions, labour, employers, communities and other stakeholders in the growth of the companies in which we invest;
 - Adherence to the UN International Labour Organization’s principles relating to the right to form and join trade unions and bargain collectively;
 - Respect for and mutually beneficial partnership with the communities, including Indigenous peoples, in the areas where our assets operate;
 - Respect for the fundamental human rights enshrined in internationally accepted norms and standards; and
 - Recognition of the important role and contribution of public employees and sensitivity to the stability of public services
- 4. Transparency and disclosure:** We encourage transparency and disclosure of relevant and material ESG information to enable investors to fully assess and manage ESG risks and opportunities.
- 5. Active ownership:** We practice active ownership by monitoring ESG issues and engaging with investee companies, partners and policymakers to advocate for improved management of material ESG factors.

Legal Framework

OPTrust is the legal administrator of the OPSEU Pension Plan (the Plan) and related pension fund (the Fund), and therefore has a fiduciary standard of care and duty of loyalty under the Pension Benefits Act (Ontario) (PBA) and common law.

The effect of the regulations¹ is to require pension fiduciaries to engage in intentional and deliberate incorporation of ESG factors.² OPTrust’s policies, including the SRIP, reflect the strategic decision of the

¹ PBA Regulations, s. 78

² The relevance of ESG factors to pension plan investing is reflected in regulations under the PBA, which require administrators to indicate in the Plan’s Statement of Investment Policies and Procedures (SIPP) whether the

Board of Trustees (the Board) that good pension governance requires OPTrust to adopt an RI approach to incorporate ESG factors into investment decision-making as part of its overall view to the best interests of the plan beneficiaries.

Risk Management

The Board of Trustees has established the Risk Appetite Statement (RAS) which identifies the key risks facing OPTrust, including investment, legal and regulatory, and reputational risks and establishes the overarching set of principles and metrics which guide management in its approach to assessing, understanding and taking risks in pursuit of its mission. The SRIP is an integral component of the strategy for mitigating the risks identified in the RAS. Specifically, the SRIP helps to mitigate investment risk by requiring those involved in selecting investments on OPTrust's behalf to consider ESG risk as part of the decision-making process, the risk of non-compliance with legal and regulatory requirements relating to the ESG factors, and reputational risks arising from association with companies which violate the principles of good governance which OPTrust espouses (including ESG factors).

Accountabilities and Reporting

The Board is responsible for approving the SRIP and any amendments thereto, on the advice of management, and for monitoring its implementation.

The Board has delegated responsibility for operationalizing the SRIP to the President and Chief Executive Officer (CEO) as part of the general delegation to the CEO, and the CEO, in turn, has delegated to the Chief Investment Officer (CIO) responsibility for overseeing the RI program and for ensuring that the Board receives the reporting it requires on the program.

The CIO has delegated responsibility for managing the RI program to the Managing Director, Sustainable Investing and Innovation (SII).

The Investment Division's management team is responsible for ESG-related risks that are taken, identifying ESG-related investment opportunities, adhering to the SRIP and working with the SII team to implement and enhance the RI program over time.

Responsible Investing Committee

The Responsible Investing (RI) Committee exists to facilitate the integration of RI into the investment function through the development of processes, procedures and tools to assist staff in implementing the SRIP, demonstrating thought leadership and providing educational opportunities.

The CIO, or their designate, serves as the Chair of the RI Committee and is responsible for establishing the charter and rules of procedure for the RI Committee.

administrator takes ESG factors into consideration and, if it does, how ESG factors are incorporated in investment decisions. The PBA regulations also require that administrators include in member statements wording to the effect that the administrator must establish a SIPP and include in the SIPP information about whether ESG factors are incorporated into the plan's SIPP.

The other members of the RI Committee include representatives from each investment team, as well as other representatives from departments across the organization, as determined by the Chair. Working groups or other committees may be struck from time-to-time to advance particular RI initiatives.

Active Ownership

OPTrust's RI strategy includes a commitment to active ownership in a variety of ways, including: serving in a governance or advisory capacity; monitoring companies within portfolios; actively voting at all company meetings, and engaging with investee companies, regulators and industry organizations, all with a view to improving the long-term performance of the Fund. Active ownership is practiced by investment teams across asset classes where applicable and is guided by the SRIP.

Proxy Voting

As a long-term investor, OPTrust believes that good governance practices support stronger long-term performance and enhance shareholder value. OPTrust actively exercises its shareholder voting rights on behalf of its beneficiaries, as proxy voting is a key component of active ownership with publicly listed investee companies. Shares are actively voted according to OPTrust's Proxy Voting Guidelines, which outline expectations for: the composition of boards of directors; executive compensation; shareholder rights and the management and disclosure of material social and environment information.

OPTrust may use one or more external proxy voting advisory firms to provide research and to assist with share voting. OPTrust staff work closely with the voting firm(s) and monitor the vote record to ensure compliance with the guidelines. OPTrust's proxy voting record is available upon request.

Engagement and Advocacy

OPTrust may engage investee companies either directly or in collaboration with other investors, if monitoring has identified an ESG concern. The Chief Risk Officer will also be notified of any significant ESG concern, and any concern may be further escalated as appropriate for the circumstance.

OPTrust also participates in dialogue with regulators, policymakers and other investors, primarily through organizations of which OPTrust is a member, to ensure that the perspectives of shareholders with a long-term view are shared and incorporated as appropriate. OPTrust works with leading organizations that seek to promote sound corporate governance, shareholder advocacy and RI in Canada and around the world.

Integration of the SRIP into the investment process

OPTrust's investments are managed both by internal teams and by external managers, and application of the SRIP varies in each arrangement.

For both internally and externally managed assets, the due diligence processes used when making an investment will, when possible, incorporate RI considerations, including the guiding principles in the SRIP.

Where assets are managed externally, partners are encouraged to recognize the approach to RI established by the SRIP, including the guiding principles, but also to enter into a dialogue with OPTrust when there are disagreements with OPTrust's RI approach or its application in particular circumstances. OPTrust will monitor our partners' alignment with the SRIP and engage with them when concerns arise.

Where assets are managed internally, employees are expected to adhere to the framework and guiding principles in the SRIP, recognizing that the SRIP's application in particular circumstances depends on the nature of the investment and the associated RI risks and opportunities. OPTrust will regularly assess the application of the SRIP across these investments and will review any material issues that arise.

RI Exclusions

Where OPTrust has concerns regarding an investee company's management of ESG issues, we prefer to engage as an active owner to effect positive change and enhance performance over the long term. Nonetheless, we may choose to exclude, based on RI considerations, entities from the investment portfolio where:

- Such exclusion is mandated by international conventions to which Canada is a signatory, or
- The likelihood of effectively mitigating associated ESG risks through active ownership avenues, such as engagement, is low

Currently, OPTrust does not invest directly in public and private equity companies that are considered to be manufacturers of:

- tobacco products, or
- cluster munitions and anti-personnel landmines

The list of exclusions is contained in the Restricted List Policy which is maintained by the Senior Vice President, General Counsel. The Responsible Investing section of the Restricted List is maintained by the SII Team.

RI Reporting

OPTrust's mission is supported by a commitment to the values of transparency and accountability. OPTrust management reports to the Board on its RI strategy on a regular basis.

A summary of RI activities appears on the OPTrust website and within its annual report.

Policy Review

This policy is subject to review annually.

Roles and Responsibilities

Policy Approver

Board of Trustees

Review Cycle

Annual



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