

STATEMENT OF RESPONSIBLE INVESTING PRINCIPLES

Board-Approved Policy

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1 General

1.1 Purpose and Scope

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 impact investment risk and return and the RI strategy seeks to identify, assess and manage these concerns.

OPTrust also recognizes and monitors the potential reputational risk that may arise due to ESG issues.

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.

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 management follows as part of the investment process and while engaging with regulators and companies in which we invest. SRIP also sets out how the SRIP is applied by investment management and reported to stakeholders

1.2 Guiding Principles

OPTrust seeks to carry out the investment function in keeping the following guiding principles, all of which are subject to and support OPTrust's fiduciary duty to generate the long-term rate of return required to ensure sustainable pension security:

1. 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. 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 in regions where there are no regulations or regulations are not enforced, to strive for generally accepted best practices.

3. We support and encourage participation by labour unions, employers, communities and other stakeholders in the development and management of the companies in which we invest.
4. We support and encourage fair wages, benefits and working conditions for workers employed by OPTrust assets. We also support the UN International Labour Organization's principles relating to the right to form and join trade unions and bargain collectively, freedom from discrimination for workers' representatives and their right to access all workplaces necessary to enable them to carry out their representation functions.
5. We support and encourage the fundamental human rights enshrined in internationally-accepted norms and standards.
6. We recognize the important role and contribution of public employees and are sensitive to the stability of public services.
7. We recognize our duty to be aware of and to understand material ESG risks, to the best of our ability that may impact our ability to ensure sustainable pension security for our beneficiaries.

1.3 Legal Framework

As the legal administrator of the OPSEU Pension Plan (the Plan) and related pension fund (the Fund), OPTrust is subject to a fiduciary standard of care and duty of loyalty under the *Pension Benefits Act* (Ontario) PBA) and at common law. The content of these duties is determined by the courts and may be summarized as a requirement to engage in deliberate, even-handed decision-making with a view to the best interests of the plan beneficiaries as a whole. It is now widely accepted that best financial interests include both the short-term and long-term interests of the plan membership and that ESG factors may be relevant to a plan's financial performance over varying time horizons.

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 administrator takes ESG factors into consideration and, if it does, how ESG factors are incorporated in investment decisions.¹ 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.²

¹ PBA Regulations, s. 78.

² See, e.g., PBA Regulation 40(1)(v).

The effect of the regulations is to require pension fiduciaries to engage in an intentional and deliberate decision-making process around ESG factors. As a result of these regulations, while administrators are not required to incorporate ESG factors into their investment decisions, there must be a reasonable basis for their decision not to do so. OPTrust's policies, including the SRIP, reflect the strategic decision of the Board of Trustees (the Board) from 2007 that good pension governance requires OPTrust to adopt a RI approach to incorporate ESG factors into investment decision-making.

1.4 Related Policies

The policies which are directly related to the SRIP are: the SIPP, the Proxy Voting Guidelines, the Risk Appetite Statement, the Restricted List Policy and the Management Investment Policy.

1.5 Guidelines and Procedures

From time to time, guidelines, forms and procedures relating to the SRIP may be issued. Any such guidelines, forms or procedures will be posted on the OPTrust Intranet.

1.6 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).

2 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 implementing the RI program to the Director, Responsible Investing.

The investment management team is responsible for adhering to the SRIP and is accountable for ESG-related risks that are taken.

3 Responsible Investing Committee

The Responsible Investing (RI) Committee is hereby continued. The members of the RI Committee shall be the Chief Investment Officer (the “CIO”), the Chief Risk Officer (or a delegate), the Associate General Counsel, VP, Corporate Secretary, representatives from each investment team, the Managing Director, Sustainable Investing and Innovation and other representatives from key departments across the organization as determined by the Chair. The purpose of the RI Committee is to facilitate the integration of RI into the investment function through awareness raising, education and the development of processes, procedures and tools to assist investment staff in implementing the SRIP.

The CIO shall serve as the Chair of the RI Committee and shall be responsible for establishing charter and rules of procedure for the RI Committee. The charter and rules of procedure shall be posted on the OPTrust Intranet.

4 Active Ownership

OPTrust’s RI strategy includes a commitment to active ownership by monitoring companies within its 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 it is possible to do so and guided by the SRIP.

4.1 Proxy Voting

Proxy voting is a key component of active ownership with publicly-listed investee companies. OPTrust will continue to exercise its voting rights for public securities held within its portfolios. As a long-term investor, OPTrust believes that good governance practices support stronger long-term performance and enhance shareholder value. OPTrust, therefore, actively exercises its shareholder voting rights on behalf of its beneficiaries. Shares are actively voted according to OPTrust’s Proxy Voting Guidelines which outline expectations for: the composition of boards of directors, executive compensation, shareholders 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 that the guidelines are complied with. OPTrust publicly reports its proxy voting record on the OPTrust website.

4.2 Advocacy and Engagement

OPTrust may engage, with approval of the CIO, 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.

Regulators and policy-makers are also engaged, primarily through organizations of which OPTrust is a member, to ensure that the perspectives of shareholders with a long-term view are maintained when policies and laws are revised or introduced. OPTrust works with leading organizations that seek to promote sound corporate governance, shareholder advocacy and RI in Canada and around the world.

These organizations include:

- UN-supported Principles for Responsible Investing (PRI)
- Canadian Coalition for Good Governance (CCGG)
- Pension Investment Association of Canada (PIAC)
- International Corporate Governance Network (ICGN)
- British Venture Capital Association
- Canadian Venture Capital and Private Equity Association
- Asian Venture Capital Journal (AVCJ)
- Real Property Association of Canada (REALpac)
- Building Owner's and Manager's Association (BOMA)
- Pension Real Estate Association
- Canada Green Building Council (CaGBC – LEED certification)
- Global Infrastructure Investor Association
- CDP (formerly known as the Carbon Disclosure Project)
- Shareholder Association for Research & Education (SHARE)
- Responsible Investment Association of Canada (RIA)
- Asia Investor Group on Climate Change (AIGCC)
- CERES

5 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.

Where assets are managed externally, partners are encouraged to recognize the approach to RI established by the SRIP, including the guiding principles in Section 1.2, but also to enter into a dialogue with OPTrust when there are disagreements with OPTrust's RI approach or its application in particular circumstances.

Where assets are managed internally, employees are expected to consider 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. OPTrust will regularly monitor compliance with the SRIP across these investments and will review any material issues that arise.

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 Section 1.2 of the SRIP.

6 RI Exclusions

In some cases, OPTrust will exclude entities from the investment portfolio based on RI considerations. Decisions to exclude entities from the investment portfolio take into account international conventions to which Canada is a signatory and the likelihood of success of various forms of active ownership, such as engagement.

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

- manufacturers of tobacco products
- manufacturers of cluster munitions and anti-personnel landmines

The list of exclusions is contained in the Restricted List Policy which is maintained by the Managing Director General Counsel (MDGC). The Responsible Investing section of the Restricted List is maintained by the RI Team.

7 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. OPTrust's proxy voting record is publicly posted to the OPTrust website.

8 Policy Review

This policy is subject to review annually.