

Responsible Investing Guidelines

September 3, 2020

I. About Ontario Teachers'

The Ontario Teachers' Pension Plan Board (Ontario Teachers' or the organization) is Canada's largest single-profession pension plan, paying defined benefit pensions and investing plan assets on behalf of its members, over 300,000 retired and working teachers. The organization's mission is to provide outstanding service and retirement security for its members – today and tomorrow.

II. Introduction

Ontario Teachers' considers environmental, social and governance (ESG) factors when making investment decisions. ESG factors may impact the financial return and risk profile of an investment, as well as Ontario Teachers' brand and reputation.

Ontario Teachers' believes that integrating and managing ESG considerations throughout the investment process supports the creation of long-term, sustainable growth and helps achieve higher risk-adjusted returns to help pay pensions.

III. Purpose of the Guidelines

The Responsible Investing Guidelines (the Guidelines) describe the general principles guiding Ontario Teachers' approach to integrating ESG considerations in each phase of the investment lifecycle. The Guidelines outline key ESG practices and processes to support a clear focus on long-term value creation and a systematic assessment of risks and opportunities posed by ESG factors.

IV. Defining ESG Factors

ESG factors are business risks as well as opportunities that can materially impact the value of an investment.

Environmental factors are those related to a company's interaction with the physical environment. Environmental factors include both impacts on the environment (e.g., contamination or greenhouse gas emissions), as well as impacts from the environment (e.g., extreme weather or water scarcity).

Social factors arise from the relationship between a company and its employees, consumers, suppliers and communities. Social factors include, but are not limited to: labour rights, health and safety, diversity and inclusion, and product safety.

Governance factors relate to the system of structures a company puts in place to ensure it is effectively directed and controlled. An effective governance system relies on the clear delineation of roles – shareholders elect directors, directors supervise management, and management executes its strategy. Governance issues can arise when one or more groups fail to adequately perform its role or when responsibilities of one or more groups deviate or infringe on the duties of another.

Ontario Teachers' believes that good governance is good business and is a key lever in creating long-term sustainable value and reducing risk. Furthermore, good governance is fundamental to the effective oversight and management of environmental and social factors.

SOME EXAMPLES OF ESG FACTORS INCLUDE:

ENVIRONMENTAL

Factors related to a company's interaction with the physical world

- Weather events
- Water scarcity
- Carbon emissions

SOCIAL

Factors that arise from the relationship between a company and its employees, consumers, suppliers and communities

- Diversity and inclusion
- Health and safety
- Consumer protection

GOVERNANCE

Factors related to the structures a company has to ensure effective direction and control

- Clear roles for board of directors, management and shareholders
- Executive compensation plans
- Board independence

V. Responsible Investing Leadership and Implementation

Accountability for responsible investing at Ontario Teachers' extends throughout the organization. The Board of Ontario Teachers' receives regular reports on the organization's responsible investing activities, including updates on climate-related activities and the low-carbon economy transition. The Board approves ESG-related guidelines, and sets the enterprise risk appetite, which considers ESG and climate change risks.

Ontario Teachers' responsible investing activities are overseen by the Chief Executive Officer (CEO) and implemented by the Chief Investment Officer (CIO) and the investment teams. The Investor Stewardship Committee is chaired by the CEO and members include the CIO as well as senior members of the Investments, Risk and Corporate

Affairs teams. This committee oversees activities relating to the stewardship of public and private portfolio companies.

As needed, cross-functional working groups are created to address specific ESG matters with broad organizational importance, such as climate change.

Dedicated teams of Responsible Investing and Corporate Governance professionals work with the investment teams to support ESG considerations in investment due diligence and management. The Responsible Investing and Corporate Governance teams also collaborate with the investment teams to carry out the organization's stewardship responsibilities.



VI. Responsible Investing Principles

Ontario Teachers' has established four principles that guide how the organization considers and manages ESG factors.

INTEGRATE

We integrate ESG considerations into our investment process to manage risk and add value.

ENGAGE

We engage with the companies we invest in to promote change and nurture success.

INFLUENCE

We use our influence as a global investor to create a supportive and sustainable business environment.

EVOLVE

We evolve to build our institutional knowledge and to keep ahead of the curve.

VII. Applying the Principles

Integrate

As a global investor, Ontario Teachers' invests across public and private markets through internal and external managers.

The relevance of ESG factors can differ depending on the sector, asset class, time horizon and strategy. ESG factors can also be relevant at any stage of the investment process from origination through to diligence, asset management and exit.

The assessment of the materiality of ESG factors is informed by factors including, but not limited to, the investment strategy, the potential impact on the organization, subject matter expert review, and external guidelines such as the Sustainability Accounting Standards Board (SASB) and the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

INTERNALLY MANAGED

For internally managed investments in both public and private markets, Ontario Teachers' looks to identify, assess and manage relevant ESG factors. The Responsible Investing and Corporate Governance teams work with investment teams, providing subject matter expertise, integration tools and frameworks to help evaluate the potential impact of ESG on investments.

Public Equity and Credit Investments

In public equity and credit portfolios, Ontario Teachers' approach differs depending on whether the investment strategy is based on fundamental analysis (e.g., stock or credit selection) or is quantitative or passive.

Fundamental equity and credit managers include ESG considerations as part of their standard review practices. Material ESG risks and opportunities are included in investment evaluation. The Responsible Investing and Corporate Governance teams offer subject matter expertise and guidance as required.

Ontario Teachers' applies an overlay approach for quantitative and passive strategies, where material ESG considerations are identified, assessed and addressed by the Responsible Investing and Corporate Governance teams.

Private Equity, Infrastructure and Natural Resources

Ontario Teachers' direct private equity, infrastructure and natural resource investment teams consider ESG-related opportunities and risks when sourcing potential investments. Material ESG risks and mitigants are evaluated as part of the due diligence and investment approval process.

To assist in the review and assessment of ESG factors, investment teams will, as appropriate, engage environmental, legal, commercial and other technical consultants and Ontario Teachers' Responsible Investing team.

When an investment is made, ESG risks and/or opportunities identified during the pre-investment stage are incorporated into value creation plans and ongoing monitoring. Ontario Teachers' direct private equity, infrastructure and natural resource investments can provide the organization with significant influence when Ontario Teachers' ownership stake is large.

Real Estate

Ontario Teachers' real estate portfolio is managed by Cadillac Fairview Limited (CF), a wholly owned subsidiary. ESG considerations are a core element of CF's investment in, and development, management and operation of, real estate properties.

CF has adopted a Corporate Responsibility Policy, available on CF's website. Key ESG issues include energy use, waste management, environmental protection, sustainable procurement, community engagement and health and safety.

During the pre-investment phase, ESG risks and opportunities that relate to a potential investment or market are identified. For example, green building certifications are a part of CF's ESG approach.

As part of property management, CF monitors environmental performance, ensures health and safety standards and engages key stakeholders. Ontario Teachers' works closely with CF to share leading practices in ESG matters and to ensure that responsible investing practices continue to have strategic priority in the organization.

EXTERNALLY MANAGED

When selecting external managers in public markets and general partners (GPs) in private markets, where relevant, Ontario Teachers' reviews their ESG policies and practices, as well as their governance, strategy and risk management related to ESG factors.

ESG practices and performance are also assessed as part of the ongoing monitoring and evaluation of external investment managers and GPs.

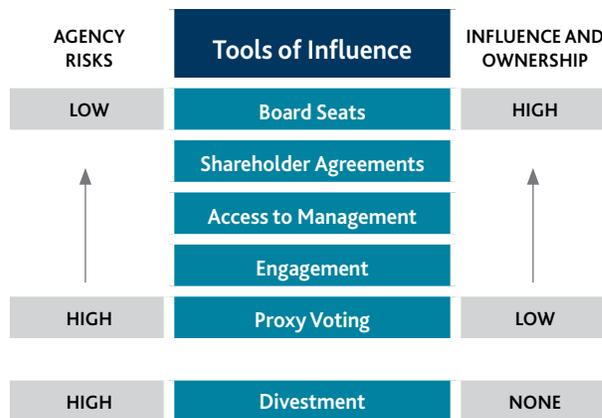
Through ongoing dialogue and sharing of leading practices, Ontario Teachers' encourages external managers and GPs to continuously improve their ESG approach.

Engage

Ontario Teachers' strives to be an active steward of the companies it owns. This means that in addition to integrating ESG considerations in investment sourcing and due diligence, the organization has ongoing interaction with companies it owns through engagement.

Ontario Teachers' seeks clear and relevant disclosure of information that may assist in making investment decisions and encourages constructive changes as part of the engagement process.

Ontario Teachers' ESG engagement approach is shaped by the level of agency risk and its ownership stake. Engagement with private companies is typically conducted through board and management interaction, while engagement with public companies is done primarily through voting and dialogue.



PUBLIC MARKETS

Ontario Teachers' uses multiple channels to engage with public companies, including proxy voting, direct engagement and collaboration with other investors.

Ontario Teachers' has different catalysts for public company engagements, including:

- Theme-driven: focused on ESG issues that are significant to the company.
- Event-driven: determined by an ESG-related incident or corporate transaction.
- Proxy vote-driven: when deciding how to vote proxies or as a follow-up to a vote.

One of the most important rights investors have is the right to vote. Ontario Teachers' uses its ownership positions in public companies to promote good governance practices by exercising its proxy voting rights. This means ensuring that votes are cast in a manner that is most consistent with the organization's Corporate Governance Principles and Proxy Voting Guidelines and are in the best long-term economic interests of company shareholders.

While Ontario Teachers' publicly discloses its proxy voting record, the organization's preference is to conduct direct company engagement confidentially. A public approach to company engagement can be viewed as confrontational and be counter-productive; however, Ontario Teachers' will make the organization's views known if a company is unresponsive or the situation is such that a public response is appropriate and/or more effective.

Ontario Teachers' engages with public companies to protect and create value. Engagement can provide insights into how companies are managing ESG risks and opportunities, and this can inform investment research and analysis.

PRIVATE MARKETS

For direct private investments, where Ontario Teachers' often has board representation, the organization engages directly with boards and management on material ESG risks and opportunities as part of the asset management and value creation process. Ontario Teachers' ability to effect or encourage changes will depend on its ownership stake.

In the early stages of an investment where Ontario Teachers' has board representation there is a focus on constructing an effective board – considering the right mix of skills from both Ontario Teachers' and external directors, board diversity, the board and committee roles and responsibilities and the relevant charters and policies.

At the outset and throughout the ownership period, where Ontario Teachers' has board representation, the organization also considers various frameworks to assist in effective board governance, including code of conduct, enterprise risk management, anti-bribery and corruption, ESG and escalation protocols, among others. Ontario Teachers' designates an employee director to be an ESG representative who will be responsible for escalating ESG issues to Ontario Teachers'.

To ensure boards are operating effectively throughout the ownership period, Ontario Teachers' is in regular communication with board members and management teams. The organization uses a variety of continuing education methods to keep employee directors up to date on key topics and periodically employs board effectiveness reviews and re-evaluates the mix of skills on the boards of portfolio companies.

EXCLUSIONS

Ontario Teachers' believes that engaging with portfolio companies is more likely to influence positive changes than divesting from investments. However, there may be instances where Ontario Teachers' refrains from investing in sectors or companies presenting heightened ESG risks. Considerations include the spirit of international treaties and conventions, the degree of societal or environmental harm and the company's or sector's willingness or ability to address the harm, as well as company-specific risks that cannot be addressed through engagement with the company.

Influence

Ontario Teachers' is a globally diversified, long-term investor. It has broad exposure to macroeconomic and systemic market and credit risks, providing it with a vested interest in the overall well-being of the economy.

The organization's influence can be used at the regulatory and policy level to support long-term policymaking and regulations that reduce risk, clarify uncertainty and promote sustainability in investments.

Using influence can be a highly effective and efficient lever to address ESG concerns that are common across sectors and markets. Through collaboration with peers, Ontario Teachers' can use its influence to advance the responsible investing practices of the global investment community.

Ontario Teachers' involvement with organizations and initiatives is informed by the objective and broader context of the initiative and the extent of alignment with Ontario Teachers' corporate strategy.

Evolve

ESG factors are constantly evolving, requiring Ontario Teachers' to stay ahead of emerging topics and trends. As understanding of ESG opportunities and risks evolves, tools and processes may need to be developed or modified.

It is often helpful for us to seek out new knowledge or different points of view. Ontario Teachers' devotes time and resources to continuous education on ESG issues across the organization, including its Board and sponsors. This involves bringing in external speakers to discuss evolving ESG risks, opportunities and practices; conferring and collaborating with peers; and participating in external forums, roundtables and conferences to build knowledge and inform strategy.

VIII. Reporting

Consistent with its expectations of reporting and transparency from companies in which it invests, Ontario Teachers' is committed to reporting on its responsible investing activities. Ontario Teachers' reports internally, including to the Investor Stewardship Committee and the Board. It also reports publicly through its Annual Report, Responsible Investing Report, Climate Change Report and regular updates to the corporate website.

Ontario Teachers' Corporate Governance Principles and Proxy Voting Guidelines and proxy voting record are also available on its website.