

EPISODE TWO: JO TAYLOR, PRESIDENT & CHIEF EXECUTIVE OFFICER, ONTARIO TEACHERS' PENSION PLAN VIDEO TRANSCRIPTION FOR AGM

“Our robust portfolio proved to be resilient”

April 15, 2021

[JO TAYLOR, PRESIDENT & CHIEF EXECUTIVE OFFICER, PHOTO]

President & CEO, Jo Taylor: 2020 was a challenging year for all of us!

Thank you for taking the time to listen and learn more about what's happening at your pension plan.

My remarks in this video will cover: Our performance in 2020, our strategy for growth, and some of the recent and anticipated changes to the Plan.

Let me start with our performance.

[STRONG. RESILIENT. AMBITIOUS.]

Jo Taylor: As I reflect on 2020, three words come to mind: Strong, Resilient and Ambitious. These three words not only reflect our performance in 2020, they also reflect core elements of the Plan for the future.

2020 was a year unlike any other, and I must say I am proud of what we accomplished.

Despite the tumultuous year, we delivered a strong return of 8.6% and the plan's assets grew to \$221 billion.

We were able to achieve these results by skillfully managing risk and return across a broad portfolio of assets.

Heading into the year, we made key strategic moves to prepare for a market correction after a long period of economic expansion. This mainly involved a higher weighting in the portfolio to fixed income.

[ROBUST, RESILIENT PORTFOLIO]

Jo Taylor: Overall, our robust portfolio proved to be very resilient and many of our companies rebounded significantly in the second half of the year.

Our fixed income and equity assets performed particularly well - amid ultra-low interest rates and strong global equity markets. Our ample liquidity gave the flexibility to support our companies through the pandemic and to pursue attractive investment opportunities.

Our Teachers' Innovation Platform recorded a strong first year. That team made some great investments across the world – from the Swedish digital healthcare app KRY to China-based autonomous vehicle designer, Pony.ai.

We are excited about this asset class and plan grow it further in the years to come.

Certain parts of the portfolio, including shopping malls and airports, were adversely impacted by the pandemic.

Whilst the performance was not what we wanted, these are premier assets which we expect to bounce back as shoppers return to malls and travelers start to fly again. A full recovery may be some months away or even years away, but as long-term investors, we are willing to be patient to secure their full value potential.

[103% FUNDED RATIO. FULLY FUNDED FOR THE EIGHTH STRAIGHT YEAR]

Jo Taylor: Despite the challenges of 2020, we exceeded the returns needed to maintain our fully funded status for the eighth straight year – a result we are exceptionally proud of.

At the same time, we delivered strong member service levels with a service score of 93 out of 100. Tracy Abel, our Chief Operations and Pension Officer, will discuss this in more detail in her presentation.

I am proud of our global teams who seamlessly transitioned to remote working without interruption to our key investing and member services activities.

[\$300 BILLION BY 2030]

Jo Taylor: As I look to the future, the current macro trends look set to continue in the post-pandemic world. These include: Challenging Plan demographics, low interest rates, highly competitive international investment markets, and growing stakeholder expectations.

To address these issues, we have designed a clear and ambitious plan for the future.

First and foremost, it starts with unlocking a culture of confidence and experimentation in our team. We have a proven history as a trailblazer in the pensions space, and we need to reignite our entrepreneurial roots that were more prevalent when we were a young business.

This culture shift will be critical if we are to have the ability and boldness to deliver the necessary investment returns and keep the plan fully funded in the years ahead.

So to keep our fully funded status, we have set a goal of reaching \$300 billion in net assets by 2030.

Given the maturity of the plan, and the significant shortfall between contributions received and payments made to members, this is a bold and ambitious target.

[50% OF PRIVATE INVESTING OUTSIDE NORTH AMERICA]

Jo Taylor: To reach this target, we're shaping our investment resources to allow 50% of our private investing to originate from outside North America. This is a major departure from our current portfolio - where some 70% of our assets are based in Canada and the U.S.

This will involve focused growth in a few carefully selected countries - where we believe the growth dynamics and competitive landscapes are attractive for our investment teams.

To do this, we will continue to attract high-class talent and build distinctive partnerships in these key target markets. The recent opening of our Singapore office is an example of our efforts to grow internationally, and in South Asia specifically.

Fundamentally, we need to pursue bigger, bolder investments and create unique partnerships in our priority markets.

[PERFORMANCE WITH PURPOSE]

Jo Taylor: At Ontario Teachers', we've always had a very clear mission: To deliver retirement security to teachers across the province.

That said, I believe, we have a broader purpose beyond paying pensions. We also have a responsibility to create a positive impact on the people, companies and the communities that we touch around the world.

In my view performance and purpose go hand in hand -- and this means delivering on our pension promise *and* investing to shape a better future.

[NET ZERO BY 2050]

Jo Taylor: That is why we recently set a target to achieve net-zero greenhouse gas emissions by 2050. As an investor of scale and a builder of businesses, we want to leverage these factors to influence the transition to a low-carbon economy.

This is a significant commitment for an organization of our size and complexity of investment portfolio.

This commitment includes investing in new, sustainable and climate friendly opportunities such as Cubico, which manages renewable energy projects all around the world.

We also had recent investments in Equis, a developer of renewable energy projects in Asia, and Enwave, a district energy provider. They are both further examples of our progress in this area.

Our future climate program will include strong engagement to work with all our portfolio companies to help reduce their carbon emissions.

And it also includes reducing our own environmental footprint and recommending climate-friendly policies.

In the coming months, we will establish a clear approach to measuring the intensity and scale of emissions across our activities. This is the first step towards controlling, and then reducing, emissions to achieve our long-term goal.

[REDUCING INEQUALITY]

Jo Taylor: Our impact efforts go beyond the environment.

They include doing our part to reduce inequality in the world. The pandemic has clearly had a disproportionate impact on disadvantaged groups, and we want to do our part.

Our investment in Spandana is a good example. It has enabled Spandana to offer small, unsecured loans to women of low-income households in India.

This allows them to pursue additional income generating activities for their families and local communities, as well as smoothing out cash shortfalls in their household finances.

[VIRTUAL TEAM MEETING]

Jo Taylor: We're also looking at how we can improve our own practices. We know it's important to amplify and empower different voices, while learning to listen to, and recognize, our own biases.

From a hiring perspective, we have increased our efforts to attract talent from broader pools to ensure a diverse and inclusive workplace.

Last year we signed the BlackNorth pledge to help tackle anti-Black racism. We're proud to be a member firm of Out Investors, a global organization for LGBTQ+ investment professionals.

Ultimately, striving for better outcomes serves multiple goals: It will make our portfolio better, it will attract the right talent, and it will have a positive impact on the world.

[OPTIMISIM. CONFIDENCE.]

Jo Taylor: In closing, let me leave you with one final message of confidence.

We entered 2021 with many enviable advantages: A funding surplus, strong liquidity, top-notch portfolio companies, best-in-class partners, and an experienced, dedicated global workforce.

While 2021 is already bringing further challenges, I remain confident in our ability to provide outstanding service and retirement security for our members over the long term.

Thank you.