

EPISODE FOUR: Q&A WITH STEVE MCGIRR, BOARD CHAIR, JO TAYLOR, PRESIDENT & CHIEF EXECUTIVE OFFICER, TRACY ABEL, CHIEF OPERATIONS AND PENSION OFFICER, ONTARIO TEACHERS' PENSION PLAN VIDEO TRANSCRIPTION FOR AGM

“Addressing topics important to you”

April 15, 2021

[ADDRESSING TOPICS IMPORTANT TO YOU]

[STEVE MCGIRR, BOARD CHAIR, PHOTO]

Board Chair, Steve McGirr: Well, thank you for joining us for this Q&A session. I'd like to thank everyone who has submitted a question this year. We greatly appreciate your engagement and the opportunity to hear your perspectives.

We received more than 500 questions from our members, which is great to see. The questions broadly related to four main themes:

[CLIMATE CHANGE, RESPONSIBLE INVESTING, PLAN FUNDING, CHANGING INVESTMENT LANDSCAPE]

Steve McGirr: Climate change, broader responsible investing, plan funding and the changing investment landscape. So we will address these topics in four separate sections.

[JO TAYLOR, PRESIDENT & CHIEF EXECUTIVE OFFICER, TRACY ABEL, CHIEF OPERATIONS AND PENSION OFFICER, PHOTO]

Steve McGirr: To do so, I am pleased to be joined by Jo Taylor, President and CEO of the plan, and Tracy Abel, who is Chief Operations and Pensions Officer. So let's begin with the topic that clearly interested you the most, where we received the highest number of questions, and that is climate change.

[CLIMATE CHANGE]

Steve McGirr: Your questions included: How do we plan to be net-zero by 2050, and why is that target not sooner? Why do we continue to invest in fossil fuel companies? And why are we supporting the expansion of Bristol Airport in the United Kingdom, especially in light of local opposition?

[JO TAYLOR, PHOTO]

President & Chief Executive Officer, Jo Taylor: Thanks Steve. Let me start first by addressing the question on the timescale for achieving net-zero. In January, we made a commitment to having net-zero greenhouse gas emissions by the year 2050.

[SOLAR PANELS PHOTO]

Jo Taylor: We did this as we believe it's our responsibility to address the global climate challenge. We will do so by elevating our role as an allocator of capital, builder of businesses and engaged owner. It's an aggressive target for an organization of our scale and the complexity of our portfolio.

We believe net-zero by 2050 is ambitious, but achievable. It will also take a lot of work to get there, but we're committed and see this as part of investing to shape a better future. We'll play our part alongside other organizations and governments around the world to support the transition.

[WIND FARM PHOTO]

Jo Taylor: There will need to be many changes from a variety of stakeholders. Changes in government policy, changes in consumer preferences and an acceleration of the technology that will be needed to support the transition. And while there will be challenges, there are a lot of opportunities to invest in climate friendly businesses.

We are further enhancing our investment capabilities in this area. Recent investments in Equis – a renewable energy platform in Asia – and Enwave – a district energy provider in Canada – should give you a taste of where we are going.

We believe this approach serves dual purposes: it will help us earn returns that will continue to deliver long-term pension security, whilst also benefitting the future of the planet.

Many of you asked why we are not immediately divesting from oil and gas. While we understand why our members would ask about divesting from fossil fuels, I think it would be helpful to clarify our position on this topic.

[BETTER, MORE SUSTAINABLE BUSINESSES]

Jo Taylor: We believe in engagement over divestment. Engagement allows us to have a seat at the table in building better, more sustainable businesses.

It's true that companies that extract, sell or transport fossil fuels are finding the move towards net zero particularly challenging. But while the transition from fossil fuels is underway, they will remain an essential part of the global economy for years to come.

Engagement gives us the chance to work together with these companies to achieve a fair transition. The alternative – immediate divestment – does not fix the problem.

It passes it on to someone else, with no promise that they will push for the same change that we would. It is for this reason, that fossil fuel companies remain a part of our portfolio, albeit one that makes up a significantly smaller proportion when compared to our climate-friendly investments.

[BRISTOL AIRPORT]

Jo Taylor: I would also like to address your questions on the proposed expansion to Bristol Airport and how this fits with our commitment to net-zero.

Bristol is one of our five airport assets. All five airport holdings in our portfolio already have carbon-neutral targets, and at the end of 2020, three of the five achieved their carbon-neutral targets. Bristol Airport's plans include a roadmap to become carbon neutral for direct emissions by 2025 and a net-zero airport by 2050. These targets align with measures we are implementing to achieve net-zero greenhouse gas emissions at Ontario Teachers' Pension Plan by 2050.

We're committed to working with companies such as Bristol Airport to transition to a zero-carbon economy. Bristol Airport has submitted a planning appeal related to the airport expansion and we're awaiting the decision from the relevant UK government authority.

[RESPONSIBLE INVESTING]

Steve McGirr: Thanks Jo. Let's move on to the next question.

As well as climate change, a lot of your questions focused on broader responsible investing topics, such as: Does our investment strategy take into account moral issues? Do we invest in long-term care homes? And will we continue to invest in China?

So I'll throw that back to you, Jo.

[LUSH GARDEN AND WHITE BUILDINGS PHOTO]

Jo Taylor: Thank you. We believe that – beyond returns – we also have a responsibility to create a lasting, positive impact on the people, companies and communities that we touch around the world. Part of this is being a responsible and engaged investor and holding our investee companies to a high standard of governance.

We apply an ESG – or environmental, social and governance lens – to everything we do and we work with our portfolio companies to do the same. I believe this is not just the right thing to do, but it also results in better business decisions and superior investment returns to provide pension security.

[DOCTOR AND PATIENT PHOTO]

Jo Taylor: Let me address your questions on long-term care homes.

Now , we have seen reports in the past year on the standards of care and conditions in long-term care facilities, largely in the context of COVID-19.

Ontario Teachers' does not invest in long-term care facilities. We do invest in premium retirement residences through our private investment in Amica, a Canadian senior living operator. There's a really important distinction: long-term care facilities are government funded and house those for whom there is no longer sufficient support for them to live independently in the community. Whereas senior living/retirement residences are privately funded by the resident, and offer varying levels of care as required by that resident.

[TRAINER AND CLIENT PHOTO]

Jo Taylor: I can assure you, Amica's first priority is the health, well-being and safety of residents and team members. From the onset of the coronavirus, they have implemented numerous proactive measures at residences to minimize the risk. They recently surpassed 80% vaccinations across residents and on-site employees and continue to roll out vaccinations for residents.

[BUILDINGS IN CHINA WITH SUNSET PHOTO]

Jo Taylor: A number of people also asked about our investments in China – particularly with regard to human rights and the Canada-China relations.

Fundamentally, we face a significant challenge to achieve the risk-adjusted returns needed to keep the plan fully funded over the long term. To do this, we need to further diversify our investments into regions where economic growth is higher. Even though there are risks going farther afield, being active in high-growth markets like China, is vital.

That being said, when we invest in global markets, we do so in prudent, responsible manner. We nurture relationships with trusted partners with local expertise, and apply an ESG lens to all of our investments. We continue to monitor ongoing developments with regards to the relationships between the US and China, and Canada and China.

But ultimately, we are a long-term investor and we have a long-term outlook for China. We have strong relationships and partnerships in the region and believe it's necessary to be there if we want to participate in the Asian growth story.

[PLAN FUNDING]

Steve McGirr: Well thank you, Jo.

The next broad topic we are going to cover is around plan funding. And you asked: Is the pension fully funded for the future? You asked, do you see the funding formula changing in the future? And you asked, since the pension plan is back to a large surplus position why aren't we receiving a drop to our contribution rate?

Tracy, I'm going to turn this one over to you.

[$\$8.5$ BILLION PRELIMINARY FUNDING SURPLUS / 103% FUNDING RATIO]

Chief Operations and Pension Officer, Tracy Abel: Thank you, Steve.

As you know, we ended 2020 fully funded for an eighth straight year. Our preliminary funding surplus totaled $\$8.5$ billion and our funding ratio equaled 103%. In other words, for every $\$1$ we owe in pensions, the Plan has $\$1.03$ in assets.

We're in good shape and your pension is secure. If shortfalls were to happen, powerful levers are available to the plan sponsors to help manage the plan's funding status. These include adjusting benefits and/or contribution rates, or utilizing conditional inflation protection, if needed, to keep the pension plan in balance.

[PLAN SPONSORS DETERMINE CONTRIBUTION RATES AND BENEFIT LEVEL]

Tracy: Regarding your questions on changing the funding formula and contribution rates: Ontario Teachers' responsibility include investing the plans assets and administering the pension benefits paid to our members. It is up to the plan sponsors' – the Ontario Teachers' Federation and the Ontario government – to determine contribution rates and benefit levels.

[CHANGING INVESTMENT LANDSCAPE]

Steve McGirr: Thank you Tracy.

Our last topic is around the changing investment landscape. Members asked us: How has the investment landscape changed? And what does that mean for investments, such as commercial real estate?

Jo, why don't I ask you to address that please.

Jo Taylor: We anticipate that a post-COVID world will be more crowded and competitive as a global marketplace. Those who succeed will be those who can differentiate themselves: through innovation, bold strategies and a true focus on how environmental, social and governance issues can shape a better future.

[WORKING FROM HOME PHOTO]

Jo Taylor: One clear trend we have seen in the past year is how companies have accelerated their digital transformation. We've all felt this to some degree – and teachers will certainly feel this dramatic change more than most. Because of the pandemic many of us have been dependent on technology allowing us to work and shop from home.

[CADILLAC FAIRVIEW OFFICE SPACE PHOTO]

Jo Taylor: So what does this mean for commercial real estate?

We believe it's a sector that will have to evolve and innovate to meet people's needs. For example, we expect to see an increased focus on the flexibility to work from home – but also changes to physical offices that support hybrid ways of working. As people begin to return to the office, Cadillac Fairview will be helping clients to re-think their office space – with a growing desire for spacious, innovative and collaborative areas.

[CADILLAC FAIRVIEW SHOPPING MALL PHOTO]

Jo Taylor: On the subject of retail, it's our view that high quality shopping centres will be the ones most likely to recover and be well positioned for the long term. But we've seen both physical and digital retail experience has evolved in the past year alone. We believe there is more to do in bridging the gap between the two.

Cadillac Fairview is well positioned to do so. For example, they've recently launched an innovation arm of their business that focuses on how digital technology can support the in-person retail experience.

As we look to the future, we will work with Cadillac Fairview and all of our portfolio companies to ensure that they continue to innovate and pursue bold strategies for success, both today and in the long-term.

And Tracy, with that, I'll turn this back over to you for your final thoughts.

[FOR ANSWERS ON YOUR PENSION, PLEASE EMAIL US AT: INQUIRY@OTPP.COM]

Tracy Abel: Thanks Jo.

First off, I'd like to thank all of you for your questions this year. As Steve mentioned earlier, we tried to answer as many as possible. Many of the questions we received this year were related to your pension. Please visit our website for answers or reach out to one of our Pension Benefits Specialists at inquiry@otpp.com.

[RETIREES PHOTOS]

Tracy Abel: On behalf of Jo, Steve, the Board, and management, we greatly appreciate having an engaged and active membership. Our mission is to provide you – our members – with outstanding service and retirement security. This will never change. Everything we do is with you in mind.

Thanks again for your time.

[THANK YOU WITH ONTARIO TEACHERS' LOGO]