

Towards a More Sustainable, Equitable Future





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What Is ESG?

ESG stands for environmental, social and governance. As a pension plan administrator, we are focused on how we are progressing on ESG both within our organization and within our investment portfolio. Below are some examples of the types of issues that fall under each ESG pillar.



Environmental

- Climate change
- Energy
- Water
- Waste and pollution
- Biodiversity



Social

- Diversity, equity and inclusion
- Health and safety
- Human rights
- Human capital
- Supply chain management
- Employee engagement



Governance

- Board structure, diversity and independence
- Business ethics
- Executive compensation
- Accounting and audit quality
- Cybersecurity
- Business strategy



Joint Letter From the Chair & CEO

We are pleased to introduce our inaugural Environmental, Social and Governance (ESG) Report.

We believe that effectively addressing ESG within our operations and our investment portfolio is critically important to ensuring our long-term success as an organization and our ability to protect the pension promise for generations to come.



Geri Markvoort
Board Chair



Mark Fuller
President & CEO

This report is part of our commitment to enhancing our communications and transparency about our progress on ESG.

As a pension plan administrator, ensuring that we have strong governance in place is table stakes and is always at the forefront for us. Effective governance requires us to adapt to evolving expectations, risks and opportunities to protect the best interests of the Plan and our members.

Over the past few years, we have focused on enhancing our governance approach to respond to evolving expectations around Board oversight of ESG, including responding to climate risk and opportunities and addressing systemic challenges and barriers to creating a diverse, equitable and inclusive workplace. We believe that having a diverse, equitable and inclusive workplace is fundamental to achieving our mission and vision. It makes us a stronger, more agile

organization, helps us attract and retain employees, and positions us to better serve our diverse membership.

Diversity, equity and inclusion (DEI) have been part of OPB's core values for many years. However, in recent years, we have realized that there was more OPB needed to do to truly live those values. We have focused significant effort on advancing DEI within our organization. For example, we have developed a plan to advance DEI within our organization, established a Diversity, Equity and Inclusion Advisory Council, held a number of education sessions on important DEI topics, and engaged our investment manager, the Investment Management Corporation of Ontario (IMCO), on advancing DEI within our portfolio.

On the investments side, our financial responsibility to the Plan beneficiaries (i.e., our fiduciary duty) requires us to consider all risks and opportunities

that could impact the long-term financial health of the Plan, including ESG opportunities and risks within our investments. It is our belief that investing in companies that effectively address ESG issues is more likely to improve returns over the long term.

One area that OPB and IMCO are focused on is responding to climate change, which presents both risks and opportunities for us as an investor. Climate change is a systemic risk that has the potential to impact the global economy, markets and society as a whole. However, it also positions us to realize the financial opportunities that will be created as the world transitions to a low-carbon economy (for example, by investing in renewable energy and clean technologies that will power the low-carbon economy of the future). This can contribute to our investment returns, which fund the benefits promised by the Plan. This helps pension plan members.



OPB and IMCO have a responsibility to influence the companies in which we invest – using tools such as proxy voting and direct engagement with boards of directors and management teams to promote transparency, encourage good governance and mitigate ESG risks that could impact our investments.

ESG has long been an important area of focus for OPB, so our first report will share our ESG journey over past years and the progress we have made on ESG and DEI as an organization, as well as how we work with IMCO to effectively address ESG risks and opportunities within our investment portfolio.

Throughout our inaugural ESG Report, we share information about our ESG policies and commitments as well as educational content on key

“It is our belief that investing in companies that effectively address ESG issues is more likely to improve returns over the long term”.

ESG topics. As this is our first report, we have focused on providing an overview of the work and activities we have undertaken for several years to advance our ESG practices as an organization. Over time, we expect to mature our reporting on ESG within our organization and start to report against metrics and benchmarks that are material to our organization.

On the investment side, we have provided an overview of the key metrics IMCO has reported on for 2022. In addition, we include some educational content to help members better understand ESG concepts and why they are important to OPB and our members.

In closing, we are committed to continuing to advance our progress on ESG, which better positions us to protect the long-term financial health of the Plan, deliver excellent service to our clients and provide our employees with a collaborative, caring and inclusive environment.

Geri Markvoort
Board Chair

Mark Fuller
President & CEO





About OPB

Ontario Pension Board (OPB) is the administrator of the Public Service Pension Plan (PSPP or the Plan), one of the oldest defined benefit (DB) pension plans in Canada. The PSPP is sponsored by the Government of Ontario and has more than 96,000 members who are current, former and retired employees of the Ontario Public Service and participating agencies, boards and commissions.

At OPB, our primary objective is to effectively and efficiently manage the PSPP so we can deliver pension benefits as promised and keep the Plan affordable for our members and employers over the long term.

As the Plan administrator, OPB is also responsible for overseeing the investment of the Plan's \$31 billion in assets. While the Plan's assets are managed by our investment manager, the Investment Management Corporation of Ontario (IMCO), OPB sets the Plan's investment strategy and oversee IMCO's implementation of our strategy, including their ESG approach for our assets.





Our Approach to Delivering the Pension Promise

At OPB, we have been entrusted with the responsibility to protect the pension promise for our members.

OPB's mission, vision, purpose and values don't just live on paper. These commitments shape everything we do at OPB to deliver the pension promise to our members and to create an inclusive and engaging experience for our employees.



Our Mission

Advise and Protect for the future of the PSPP and its stakeholders.



Our Vision

OPB is a premier pension delivery organization and a trusted advisor to all our stakeholders, and our effectiveness delivers sustainability for the PSPP.



Our Purpose

Reassuring things happen when we look after each other and work together in common cause. Over the course of their working lives, our public-servant clients support strong and sustainable communities across Ontario. We understand the importance of helping others build towards a strong and sustainable future.

Through our Advise and Protect mission, we assist our clients to effectively plan for a retirement with security and dignity – a retirement in which they can thrive and continue contributing to their communities. Our team of diverse professionals supports every stage of our clients' careers, ensuring the pensions they have earned are protected along the way through strategic and prudent fiscal oversight.

Our commitment is to be there.

There for life.



Our Values

Client & Stakeholder Commitment

We are committed to delivering exceptional client and stakeholder experiences.

Diversity, Equity and Inclusion

We value our differences, creating safe spaces for all as we work in collaboration, leveraging everyone's unique talents and life experiences, and interacting with respect, empathy and compassion.

Innovation & Continuous Learning

We are a high-performing organization with a can-do attitude, which pursues continuous improvement, learning, growth and achievement.

Trust & Transparency

We act with integrity, communicating with honesty and transparency to have meaningful interactions and foster trust.

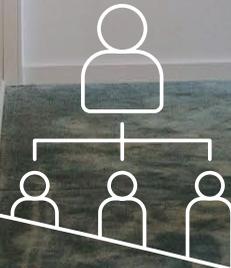
Accountability

We each take accountability. Together, we protect the pension promise through advocacy and the effective and efficient delivery of services that support and protect the financial well-being of our clients.



ESG at OPB

Our steadfast commitment to industry-leading governance practices ensures full accountability, effective decision making, prudent oversight of the strategic business plan, investment management, fiscal responsibility, legal compliance and smart risk-taking.





Governance at OPB

OPB's Board is an expert board with nine highly qualified members, each appointed by the Plan Sponsor (the Government of Ontario), including three members who are nominees of bargaining agents representing PSPP members. To fulfil our governance role, we need the right mix of expertise on the Board, which is why candidates are assessed against a skills matrix that sets out the overall mix of competencies and knowledge required by the Board.

OPB's governance structure meets – and in many cases exceeds – industry standards and best practices. In short, it ensures that we are – at all times – protecting and promoting the best interests of the Plan and its beneficiaries.

ESG Governance

Effectively managing ESG is a priority for the Board and management. Over the past years, we have focused our attention on advancing diversity, equity and inclusion (DEI) at OPB and working with IMCO to address climate risk in our portfolio. To read more about IMCO's approach to risk management, visit [IMCOInvest.com](https://www.imcoinvest.com).

To support the Board and leadership in their oversight of advancing ESG, we hold regular expert-led education sessions on ESG topics, provide ongoing educational resources, and engage expert support to help us with the development and implementation of key activities.

OPB's Board of Directors includes several members who have significant experience and depth in relevant ESG areas.

The Board receives regular updates from management on its progress on ESG, including DEI. The Board provided oversight and support as management worked to develop a DEI action plan, an ESG Policy for investments, an ESG action plan for our investments and an ESG Communications Strategy to share our progress with clients and stakeholders.

For more information on our governance of ESG within our investments, see the [ESG in Our Investments](#) section.





Privacy Protection

OPB recognizes the importance of protecting the privacy of our members, stakeholders and employees. Upholding members’ privacy rights by safeguarding personal information in our care is core to the trusted delivery of our mandate. In 2022 and 2023, we further strengthened our controls in this important area. Our dedicated Privacy team maintains an organization-wide program to ensure ongoing training, awareness and vigilance in the handling and use of personal information. This is particularly important in an increasingly complex digital world.

Compliance

OPB carefully manages risks related to privacy protection, cybersecurity and compliance. We continue to invest in and monitor controls and maintain an enterprise-wide compliance program, using a combination of policy training and ongoing review of reputational reporting and attestations.

Cybersecurity

Cybersecurity threats are becoming increasingly sophisticated, and constant vigilance and visibility are essential to effectively mitigate this risk. Ensuring our technology remains current is critical to ensuring our clients’ personal information remains secure. We continue to focus on maturing our cybersecurity practices, including increasing our detection and response capabilities, enhancing the security of our member and employer portals by adding in multi-factor authentication, improving our information management systems and enhancing our third-party risk management process.

Employee Engagement and Culture at OPB

People are at the heart of OPB. As a close-knit team of dedicated and skilled professionals, we do important work that has a meaningful impact on our Plan members’ lives. Delivering retirement security now and into the future is a responsibility we take seriously. We take pride in being a leader in the pension industry and a trusted advisor to our clients and stakeholders.



We conduct regular employee engagement surveys to help us understand employee perspectives and experience and to see where we have opportunities to improve the employee experience.

Our surveys have an exceptional response rate of **90% or above.**



We took a purposeful and gradual approach to returning to the office to help people adjust after working remotely. Our approach helped support the health and well-being of our staff through a prolonged pandemic period.



We provide our employees with access to educational resources and expert sessions to help support their ongoing well-being.

Over the past few years, we’ve focused on resources to help our employees with stress management and resilience.



Diversity, Equity and Inclusion at OPB

We believe that having a diverse, equitable and inclusive workplace is fundamental to achieving our mission and vision. It makes us a stronger, more agile organization, helps us attract and retain employees, and positions us to better serve our diverse membership. Diversity, equity and inclusion (DEI) are core OPB values and have been for many years. However, in 2020, after events in Canada and the U.S. brought diversity, inclusion and racism to the forefront, and the challenges facing Black and Indigenous communities in particular, we realized that there was more OPB could do to truly live those values. We committed to developing a plan to advance DEI within our organization.

Over the past few years, we have taken a number of steps to help advance DEI at OPB, including:

- establishing a Diversity, Equity and Inclusion Advisory Council;
- adopting anonymized candidate screening to help us avoid unconscious bias in our hiring process;
- providing organization-wide training sessions on unconscious bias, respect in the workplace, responding to microaggressions and training on sexual orientation and gender diversity;
- adding a voluntary and confidential section on socio-demographic information and inclusivity experience at OPB within our 2021 employee engagement survey to improve our understanding of how employees with different backgrounds and identities experience OPB;
- supporting all employees in using personal pronouns as part of their email signature, which in turn invites our clients to feel comfortable using theirs when asking for service from our staff; and
- developing and sharing educational content throughout the year to help foster awareness and understanding of DEI issues.

Establishing a DEI Advisory Council

In 2022, OPB established our own DEI Advisory Council (the Council) to support continuous improvement in building an inclusive culture at OPB. The Council is composed of two co-chairs and eight members, half of whom are unionized staff. Membership was established through an open application process.

Working closely with Human Resources, the Council serves as a trusted advisor to help ensure OPB's DEI initiatives, programs and policies resonate with our employees and are in alignment with our values and overall organizational and business priorities. The Council provides recommendations and suggests resources to support our ongoing commitment of learning together about DEI-related topics.

We were assisted in creating the Council through our partnership with the Canadian Centre for Diversity and Inclusion (CCDI). Working with CCDI, OPB gathered anonymous feedback from a volunteer employee focus group. Using this information and information from other sources, the Council has established OPB's definitions of Diversity, Equity and Inclusion, as well as a DEI mission, vision and roadmap.

Advancing Inclusion for Clients

We understand the importance of providing our clients with excellent service that is accessible and inclusive. While we recognize that there is more work to be done in this space, here are a few ways we are working to make our services more inclusive for our clients today:

- Over the past few years, we have enhanced the accessibility of our member and employer portals to improve the experience for clients with low vision and those using screen readers and accessibility software and devices to navigate the portal.
- We are working on making our communications more gender inclusive.



Partnerships/Pledges That Support Our Commitment to DEI



Joined: 2021

The CCDI was established in 2013 to foster diversity, equity, inclusion and accessibility in order to build a more inclusive Canada where everyone is treated with dignity and respect and has equal access to opportunities and resources. They endeavour to achieve this by empowering people to become change agents through thought leadership, research, education and action.

As an employer partner, OPB has benefited from CCDI's advice and resources and established our own DEI Advisory Council.

Working with CCDI, OPB has gathered anonymous feedback from a volunteer employee focus group. Using this information, our DEI Advisory Council has established OPB's definitions of Diversity, Equity and Inclusion, as well as a DEI mission, vision and roadmap.

We have also leveraged educational DEI opportunities.



Joined: 2022

CAUFP is a resource organization with more than 2,000 members providing a link between the Black community and corporate Canada through professional development, networking, financial literacy and youth engagement.

OPB has partnered with CAUFP to promote awareness of career opportunities at OPB and further diversify our candidate pool through their job boards. In addition, OPB offers membership and event opportunities to all employees.



Joined: 2020

The BlackNorth Initiative works to overcome systemic racism in all facets of Canadian life, leveraging a business-first approach. The organization runs a variety of programs including the BlackNorth Initiative (BNI) Homeownership Bridge Program, BlackNorth Academy, scholarships, bursaries and networking opportunities.

In 2020, OPB's CEO Mark Fuller signed the BlackNorth Initiative CEO Pledge, which states:

“Working through the BlackNorth Initiative, we will increase our efforts to make our workplaces trusting places to have complex, and sometimes difficult conversations about anti-Black systemic racism and ensure that no barriers exist to prevent Black employees from advancing within the company”.

Since 2020, we have built pledge commitments into our DEI approach.



Joined: 2021

The mission of the 30% Club Canada is to encourage organizations to increase the presence of women and underrepresented groups on their boards and C-suites to a minimum of 30%.

OPB's Board and leadership team have strong female representation; however, we have more work to do to advance broader leadership diversity at these levels.



Environmental Impact

OPB understands the urgency of addressing climate change. While we recognize that the most significant impact we can make on protecting the environment will come from efforts made by IMCO to address climate change in our investment portfolio, here are some of the ways we are trying to reduce environmental impact in our operations.

In 2019 and 2020, OPB advocated for the regulator to update pension regulations to enable pension plan administrators to provide more digital communications to clients; this both enables us to advance our digital services for clients as well as reduce our paper use.



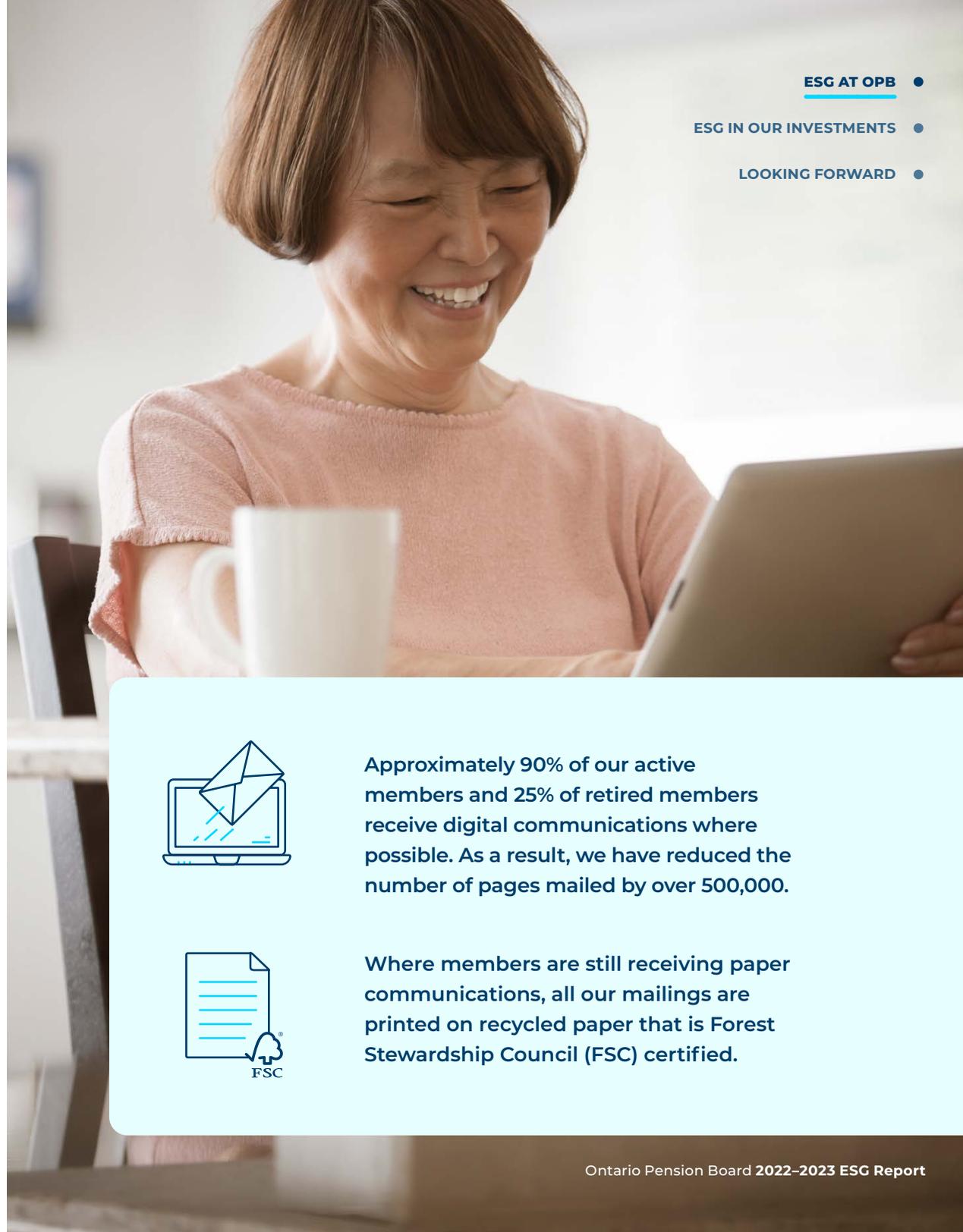
Currently, OPB's offices are located at 200 King Street West, which is an energy-efficient building that is rated Platinum under the Leadership in Energy and Environmental Design (LEED) certification system.



Approximately 90% of our active members and 25% of retired members receive digital communications where possible. As a result, we have reduced the number of pages mailed by over 500,000.



Where members are still receiving paper communications, all our mailings are printed on recycled paper that is Forest Stewardship Council (FSC) certified.





Surveying Our Members on ESG

We know that how OPB is addressing ESG is of growing importance to our members. This is why, in 2022, we committed to developing a communications strategy to continue improving our transparency on ESG issues.

We invited nearly 10,000 Plan members to complete a survey to help us better understand what ESG issues matter most to them and how they want to stay informed on ESG topics.



Here are some of the key findings:

Should ESG be an important investment consideration for OPB?

73%

of respondents believe that ESG should be an important consideration for the Plan

- 27% feel investment returns should be the primary focus
- **Just over half** of respondents feel well informed about how ESG investing works, even though most see it as an important consideration

Rank your top three 'most important considerations' for investments

39%

ranked environmental protection in their top three 'most important considerations' for investments

- 38% – climate change
- 34% – human rights
- 26% – business ethics
- 24% – good corporate governance
- 23% – labour standards

What investments should OPB avoid?

40%

thermal coal

- 34% – gambling
- 32% – fossil fuel extraction or refining
- 28% – palm oil
- 26% – factory farming

Staying informed and in touch

58%

look to the Annual Report to keep informed about the Plan

- 47% – articles on the OPB website
- 42% – dedicated ESG report or section of OPB's website
- 42% – e-alerts

Employee information expectations

81%

want to keep informed on the Plans' returns

- 59% want to be kept up to date on ESG issues prioritized by OPB and IMCO
- 53% want information about OPB's significant ownership positions

This feedback helped inform our communications strategy, including the development of this inaugural report, which speaks to how integrating ESG into our investments can contribute to higher long-term returns, includes educational content to help members understand key concepts in ESG investing, and speaks to the issues OPB and IMCO are focused on and how we are progressing towards them.



ESG in our Investments

ESG Governance of Our Investments

OPB is the administrator of the PSPP, which includes the day-to-day operations of the Plan as well as oversight of the investments of the Plan's assets. The PSPP's assets are invested by IMCO according to our Statement of Investment Policies and Procedures (SIP&P), which includes a statement that ESG factors should be integrated into the evaluation of an individual security, asset or external investment manager. OPB is committed to comprehensively integrating ESG to manage investment risk and take advantage of opportunities.

OPB's Board of Directors includes several members who have significant experience in relevant ESG areas. Additionally, as one of the founding clients of IMCO, OPB nominated two individuals who were selected to sit on IMCO's Board. Collectively, IMCO's board members have the necessary skills and expertise to provide effective oversight of IMCO's strategies, including its work on integrating ESG within its investments. OPB's Board meets regularly with our IMCO Board representatives.





What Is OPB Responsible for Versus IMCO?

OPB is the plan administrator of the PSPP and IMCO is our investment manager.

As the administrator of the PSPP, OPB holds the PSPP's assets in trust and is responsible for setting the high-level investment policies and strategies, including our SIP&P and Strategic Asset Allocation (SAA) or asset mix, to ensure that the assets are invested in a manner to progress the long-term financial health of the Plan.

IMCO invests the assets according to our SIP&P as well as its core governing policies, such as the Investment Policy Statement for each asset class. OPB then monitors IMCO to ensure that we understand and accept their approach and that it aligns with our expectations, including around ESG.

Why Is OPB Incorporating ESG Into the Investment Strategy?

We believe that companies and investment managers that effectively address ESG issues, including climate change, are more likely to improve shareholder value and improve the Plan's investment performance over the long term – which helps pension plan members. What's more, failure to identify and mitigate ESG issues or identify opportunities may hurt long-term investment performance.¹ More information on this is provided below.

How Does OPB Oversee IMCO's Performance on ESG?

We have an ongoing monitoring program that helps to assure OPB that IMCO is prudently managing the PSPP assets, identifying strong investment opportunities and effectively managing investment risk. This includes monitoring how IMCO incorporates ESG, including climate change.

OPB's Chief Investment Officer (CIO) and other executives meet regularly with IMCO's Sustainable Investing leadership team to discuss its progress against key objectives as well as any emerging issues. IMCO's Sustainable Investing team meets annually with OPB's Board of Directors to provide an update on its progress against its key objectives.

¹ [Fiduciary Duty in the 21st Century](#), Principles for Responsible Investment, pp. 17-18.

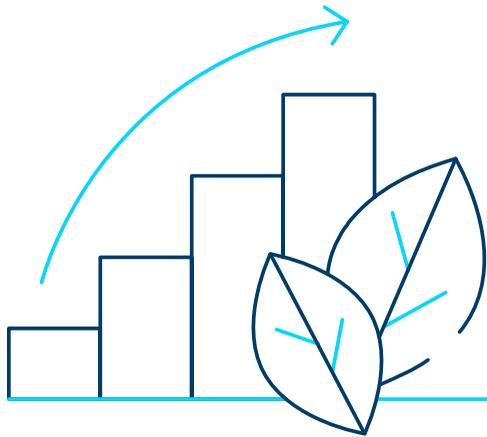


 Toronto-Dominion Centre



OPB's Beliefs

We believe in the importance of being a responsible investor, aligned with our commitment as a signatory to the United Nations Principles for Responsible Investment (PRI). This starts with articulating our beliefs as an organization and institutional investor and extends through our policies governing the portfolio and how it is invested by IMCO. The Plan's SIP&P states:



As an institutional investor and custodian of the Plan, we are guided by several beliefs, including:

- Companies that effectively address ESG issues are more likely to improve shareholder value over the longer term.
- Integration of ESG factors into the evaluation of an individual security/asset or an external investment manager should be comprehensive.
- The objectives for ESG integration are to:
 - 1 improve longer-term returns (i.e., shareholder value);
 - 2 reduce risk; and
 - 3 ensure alignment with OPB's values.
- Evaluating ESG factors must be complemented by active ownership; OPB expects IMCO to influence investee companies through engagement and shareholder voting to improve corporate practices. OPB also expects IMCO to avoid investments that are inconsistent with our ESG policy.
- Climate change poses a material and increasing risk to, as well as significant opportunities for, a range of assets OPB may invest in, and comprehensive consideration of the risks and opportunities is necessary to fully evaluate expected returns from investments.



Investing for the Long Term Means Responding to Change

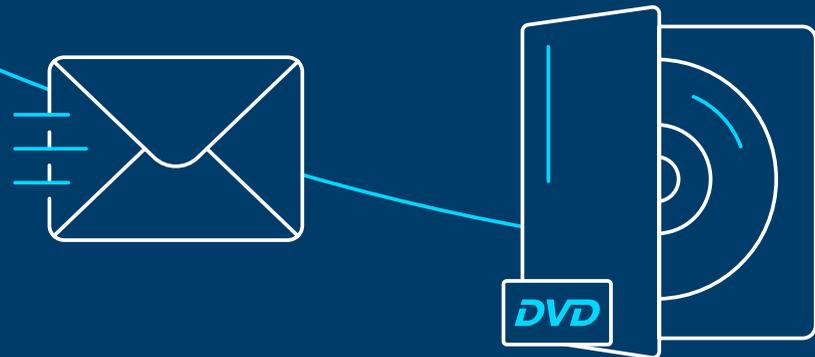
Since the Industrial Revolution, disruptive shifts have impacted how we live our lives, the products we buy and our perception of responsible business practices. How companies respond to these changes ultimately determines how well they perform and whether they survive. Long-term investors like pension funds always need to look to the future, seeking to identify the emerging risks and opportunities for portfolio returns.

Blockbuster and Netflix: A Casualty of Disruption

At its peak, Blockbuster, a video rental giant, operated 10,000 stores. In 1997, start-up Netflix introduced a new distribution model that relied on mailing customers DVDs through the low-cost U.S. Postal Service. This allowed Netflix to avoid the expenses associated with brick-and-mortar retail stores.

In 2000, Blockbuster declined an offer to buy Netflix for US\$50 million. Netflix went on to launch its video streaming service in 2007.

While Blockbuster did eventually launch its own digital service, its core assets – retail stores – became significant liabilities, leading to bankruptcy in 2010. In January 2024, Netflix was valued at almost US\$210 billion.





Automobiles: “Only a Fad”

It’s said that in 1903 a banker warned one of the initial shareholders of the Ford Motor Company that “the horse is here to stay, but the automobile is only a novelty – a fad”. As we now know, the rise of the automobile meant the decline of horse transportation. It’s estimated that the number of carriage-building companies in the U.S. dropped from 13,800 in 1890 to 90 in 1920, with only a few adapting to the changing times.

Automobile pioneer Henry Ford’s innovations resonated well beyond the car industry: he launched the simple, reliable Model T as an affordable vehicle for the mass market and doubled wages to ensure retention of skilled workers on his new moving assembly lines. At the same time, increasing car ownership led to the development of other industries – road construction, motels, gas stations, fast food diners – that represented new investment opportunities.

Today, car companies are competing to adapt to growing demand for electric vehicles, which accounted for 14% of global sales in 2022. This is a key technology to achieve net-zero emissions by 2050.



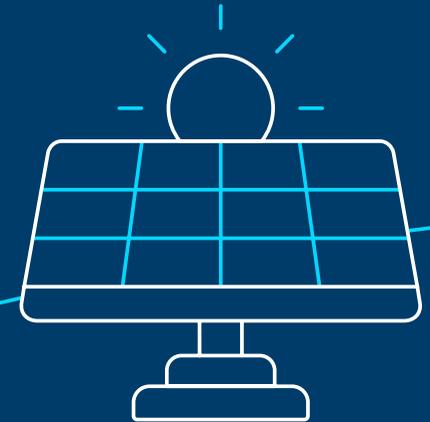
Getting Your Money's Worth in a Changing World

An asset may become “stranded” if it is made valueless by changing technology, consumer preferences or regulation. For example, a cellphone’s useful life may be shortened if the manufacturer stops providing software updates for that model. Certain types of investments face higher risk of becoming stranded assets. For example, the energy transition may lead to lower oil prices and in turn impact the value of relatively more expensive oil and gas production assets such as those located in the Arctic.

On the flipside of the risk of asset stranding, the energy transition can also provide significant new investment opportunities in areas such as renewable energy and new technologies.

Companies that effectively address material ESG risks and opportunities are expected to outperform those that don’t. So, as a long-term investor, we need to pay attention to which companies are adapting well and which companies aren’t.¹ This helps us manage risk and identify opportunities that are created by industry shifts.

¹ [Fiduciary Duty in the 21st Century](#), Principles for Responsible Investment, pp. 17–18.





Our Policies for Addressing ESG Issues in Our Investments

The two key documents that articulate how we address ESG issues in our investments are our SIP&P and our Policy for ESG Investment Issues (ESG Policy). The policies articulate our relevant investment beliefs as well as our expectations of IMCO. The ESG Policy also provides information on how we monitor IMCO’s performance.

The ESG Policy articulates our expectations of IMCO to:

- identify and evaluate investment opportunities and risks within the portfolio;
- actively communicate and transparently report on its progress;
- achieve specific milestones; and
- participate in national and international forums and bodies for broader advocacy on ESG issues, such as climate.

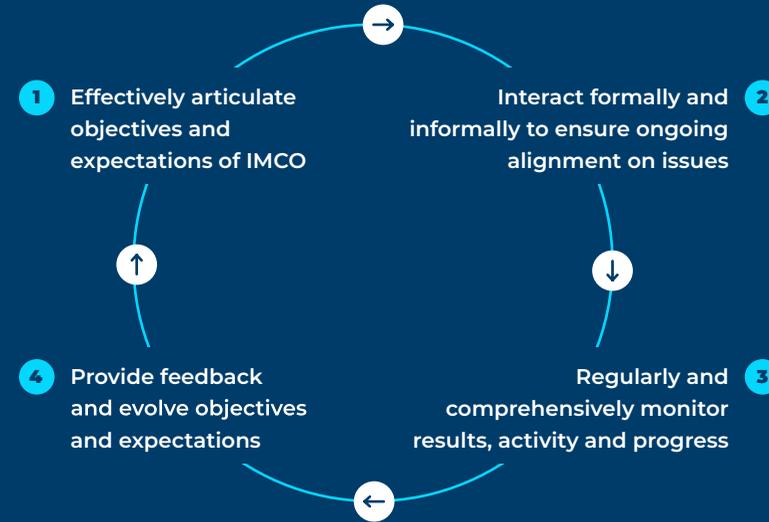
Our policies also outline our expectations for addressing ESG within our portfolio, including:

- the selection and evaluation of any external managers IMCO chooses to work with in managing and investing the PSPP’s assets;
- private market assets, such as real estate and infrastructure, and ensuring that ESG factors are considered up front in the acquisition process through proper due diligence as well as prudently monitored throughout the length of time that we hold the investment; and
- the use of [screening](#) to both mitigate risk and align investments with our ESG objectives to avoid investing in controversial or sanctioned assets or securities.

Oversight of IMCO

Given that investment management is delegated to IMCO, it is critical that OPB effectively oversees that execution, including with respect to addressing ESG issues.

This process is continuous and has four key elements.



Our ongoing monitoring program helps to assure OPB that IMCO is prudently managing the PSPP assets, identifying strong investment opportunities and effectively managing investment risk. This includes monitoring how IMCO incorporates ESG, including climate change.

To this end, OPB’s CIO and other executives meet regularly with IMCO’s Sustainable Investing leadership team to discuss its progress against key objectives as well as any emerging issues. In addition, IMCO’s Sustainable Investing team meets annually with OPB’s Board of Directors to provide an update on its progress against its key objectives.



IMCO's Approach to ESG and Sustainable Investment

IMCO's Responsible Investing Policy governs how it invests across all the asset classes. The application of the Policy is built on four pillars:

- 1 Integration
- 2 Stewardship
- 3 Sustainable Investing
- 4 Screening

IMCO looks at all relevant material factors across the investment life cycle. ESG focus areas within IMCO's investment process include climate change, DEI and corporate governance.



Read IMCO's Responsible Investing Policy at [IMCOInvest.com](https://www.imcoinvest.com).

What Is Integration?

Just like traditional financial factors, ESG integration recognizes that environmental, social and governance factors can pose material financial risks and, therefore, seeks to factor into the investment due diligence process the ESG criteria that might impact the financial performance of investments.

What Is Stewardship?

Using investor influence to support long-term value creation and sustainable outcomes.

- **Engagement:** Undertaking dialogue directly with investee companies, individually or collectively alongside other investors.
- **Proxy voting:** For Public Equity holdings, incorporating ESG considerations when voting on management proposals put forward by the company and shareholder proposals put forward by investors.

What Is Sustainable Investing?

Investing in opportunities created by sustainability and climate trends. Specifically, IMCO will consider investment in companies or projects that benefit from powerful trends and have a positive impact on society or are aligned with the [United Nations Sustainable Development Goals](#) – the global blueprint for action to protect the environment and eliminate poverty by 2030. For example:

- [climate solutions](#) that reduce GHG emissions, address climate change impacts, and protect water and biodiversity; and
- [social solutions](#) that provide access to essential services and infrastructure, such as healthcare, education and affordable housing.

What Is Screening?

Where investors make a conscious decision to exclude potential investments that conflict with ESG objectives from the portfolio, based on defined criteria. This is also referred to as exclusions.

It can involve completely excluding a business activity or sector or it can limit investments based on a revenue threshold derived from the excluded activity. For more information, see the [Screening \(Excluded Investments\)](#) section.



Climate Change

OPB Is Working With IMCO to Address Climate Change

As stated in the SIP&P, OPB believes that climate change poses a material and increasing risk to, as well as significant opportunities for, a range of assets it may invest in, and that comprehensive consideration of the risks and opportunities is necessary to fully evaluate expected returns from investments.

As part of the governance regime, OPB has an ESG Policy that articulates how we address ESG issues, including climate. Given OPB's recognition of the urgent need to address climate change, climate risk is a prominent part of the Policy. The Policy includes expectations around IMCO's progress and achievement towards net-zero greenhouse gas (GHG) emissions as well as comprehensive reporting against the Task Force on Climate-related Financial Disclosures (TCFD), a best-practice framework to help investors and companies disclose climate-related risks and opportunities.

OPB interacted extensively with IMCO as it developed its climate strategy and Climate Action Plan in 2021 to provide feedback and to understand the activities IMCO planned to undertake. OPB continues to interact with IMCO regarding the progress it is making against its objectives.





What IMCO Has Done

Developed a Climate Action Plan

As mentioned on [page 22](#), as part of its commitment to addressing the impact of climate change within its portfolio, IMCO developed a Climate Action Plan in 2021.

IMCO's climate strategy and Climate Action Plan focus on four areas: capital deployment, asset ownership, portfolio management and climate guardrails.



Read IMCO's full Climate Action Plan [here](#).

- 1** Capital deployment: Pursuing climate-positive and transition investment opportunities, including:
 - investing at least 20% of its portfolio in climate solutions by 2030.
- 2** Asset ownership: Engaging portfolio companies and external managers and collaborating with like-minded investors and policymakers to drive collective climate action, including:
 - supporting its external managers and portfolio companies in establishing Paris-aligned plans and delivering portfolio emissions reduction;
 - engaging with its external managers and portfolio companies to increase the share of its portfolio reporting emissions data;
 - exercising its right to vote at shareholder meetings, to encourage companies to manage climate-related risks and opportunities; and
 - collaborating with like-minded investors and policymakers to drive collective climate action.
- 3** Portfolio management: Integrating climate-related risks and opportunities into its investment decision-making process and monitoring climate risk across our portfolio, including:
 - prioritizing partnerships with external managers that have existing or intended net-zero commitments; and
 - increasing investment in companies with net-zero commitments.
- 4** Climate guardrails: Mitigating climate risk in our portfolio through climate guardrails, which limit exposure to investments that are incompatible with a net-zero future, including:
 - where it can meaningfully influence or control investable assets, IMCO has stated that it will not make new investments in fossil fuel assets without current or credible plans for interventions such as carbon capture and storage or carbon capture, utilization and storage or equivalent technologies that substantially reduce the amount of emissions throughout the life cycle, in line with appropriate global, science-based scenarios.



Set Targets to Achieve Net Zero in Its Portfolio by 2050 or Earlier

As part of the 2021 climate strategy and Climate Action Plan, IMCO committed to achieving a net-zero emissions portfolio by 2050 or earlier. IMCO subsequently set an interim target of achieving a 50% reduction by 2030 in emissions intensity from its 2019 baseline as well as making a commitment to invest 20% of its portfolio in climate solutions by 2030.

IMCO's interim emissions reduction target is aligned with science-based net-zero pathways developed by the Intergovernmental Panel on Climate Change, International Energy Agency, Networking for Greening the Financial System and One Earth Climate Model.

What Is Net Zero?

To achieve net-zero emissions in our investment portfolio, IMCO is taking several steps, including changing which companies are held in the portfolio. It invests in companies that reduce their GHG emissions to as close to zero as possible and then neutralize the impact of any residual emissions that cannot be eliminated by removing an equivalent amount of carbon from the atmosphere.

What Are Climate Solutions?

IMCO's report defines climate solutions as investments in companies or projects that derive most of their business from products or services that reduce emissions or otherwise mitigate climate effects.

Note:

The PSPP's assets are primarily invested in pooled funds managed by IMCO that include other investors. As the PSPP represents a significant proportion of the assets managed by IMCO, the IMCO climate strategy and associated targets are broadly applicable to the PSPP.

From a governance perspective, OPB actively engages with and monitors IMCO's continued progress towards its net-zero targets.





Addressing Climate Risks and Opportunities

Objectives

What did IMCO do in 2022?

What does this mean and why does it matter?

Execute climate strategy

- Reduced portfolio carbon emissions intensity by 4% vs. 2021 and 40% since 2019
- Improved portfolio carbon emissions measurement by including Scope 3 (in addition to Scope 1 and 2) emissions of investments and emissions associated with sovereign bonds

- For greatest impact, an investor should measure:
 - The **full scope of GHG emissions associated with each investment**. Some companies' Scope 3 GHG emissions in the value chain are higher than the Scope 1 and 2 GHG emissions associated with their own operations.
 - The full scope of asset classes in which the portfolio is invested. **The asset classes covered by IMCO's measurement made up 91% of its total assets under management as of December 31, 2022.**
 - It is important to note that data availability and quality remain a significant challenge when measuring emissions.

Encourage asset managers to incorporate ESG considerations

- 44% of IMCO's externally managed assets are managed by external managers with Net Zero commitments
- 75% have an ESG policy
- 73% have a DEI policy

- IMCO considers manager commitments to ESG issues when selecting new external managers and also engages with legacy managers on progress on incorporation of ESG policies that are aligned with IMCO's objectives.

Encourage companies to improve ESG performance

- Supported 68% of shareholder proposals on environmental and social issues when casting proxy votes

- Proxy voting is an important element of stewardship. This is one of the ways that an asset owner can influence change at an organization.
- Where consistent with the best financial interests of pension fund members, an investor should be willing to vote against management to support well-designed shareholder proposals that would advance a company's ESG or climate performance.



Understanding the Path to Net Zero

How Do You Ensure Actual Emissions Decrease?

As do many of its peers, IMCO uses an emissions intensity measure (i.e., metric tonnes of CO₂ equivalent emissions per million dollars invested) for its net-zero targets. This makes sense when one acknowledges that IMCO manages assets for several clients with varying asset allocation.

However, one of the drawbacks of an emissions intensity measure is that actual emissions are just one part of the equation. In other words, net emissions could be unchanged but if the value of the assets increases, the intensity measure will go down. It's equally important to note the fact that a portfolio which is net zero will also have net emissions of zero, so ultimately the intensity and absolute reduction in emissions are aligned.

Additionally, there are a couple of other factors that could cause IMCO's carbon footprint to fluctuate up and down over the short term, including:

- **Asset allocation:** Changes to our SAA may lead to fluctuations in emissions due to varying levels of emissions across the range of asset classes that OPB invests in, as well as differing availability and quality of emissions data across different asset classes and markets.
- **Methodological advancements:** Emissions measurement methodologies are expected to continue to improve and become more reflective of actual emissions (currently, estimates are used where data quality is poor or unavailable). Going forward, consideration of changing methodologies and data availability may be required when comparing IMCO's portfolio emissions over various time periods.

A Work in Progress That Will Vary on an Annual Basis

It's important to understand that the path to reaching the interim emissions targets, and subsequently, the 2050 net-zero targets, may not always be a straightforward decline with year-over-year, linear emission reductions. While IMCO will, of course, track annual performance, it is important to consider the trend over several years to ensure the general portfolio emission trajectory is tracking down.



Understanding Greenhouse Gas Emissions

Not a day goes by without greenhouse gases (GHG) making the news. Reducing them is critical to slowing global warming, but you may wonder how they are measured.



Scope 1:

“BURN”

Direct GHG emissions from sources owned or controlled by an organization (e.g., fuel combustion in boilers, furnaces and vehicles).



Scope 2:

“BUY”

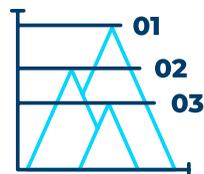
Indirect GHG emissions from electricity, heat, steam or cooling purchased by an organization.



Scope 3:

“BEYOND”

Indirect GHG emissions associated with an organization’s activities from sources not owned or controlled by the organization (e.g., employee business travel, supply chain, use of products and financed emissions).



Financed Emissions

The combined Scope 1, 2 and 3 emissions of the investments included in a portfolio (these are part of the Scope 3 emissions of a pension fund).



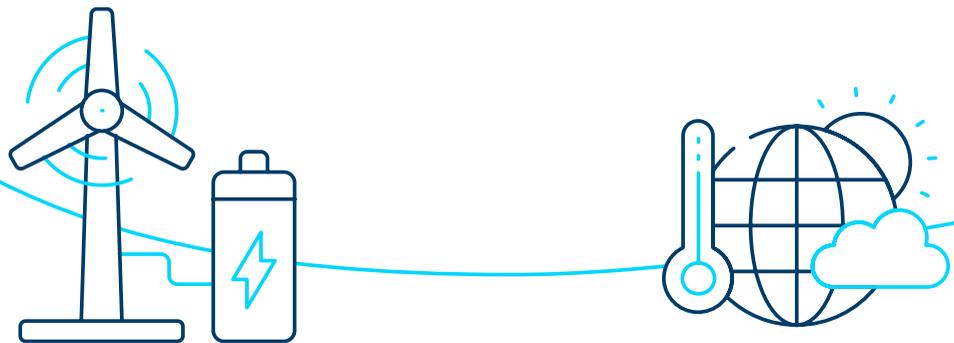
CASE STUDY

Blackstone: Investing in Green Private Credit

Private credit involves making loans to companies that may struggle to access credit elsewhere, such as through the bond market. IMCO has committed to invest US\$300 million in the Blackstone Green Private Credit Fund III, an investment fund created to provide capital to companies involved in:

- Renewable energy such as solar and wind power.
- Energy transition – activities that support the shift from fossil fuels to lower- or zero-carbon energy.
- Climate change solutions – products and services that enable emissions reductions across the economy.

By providing capital to these companies, the Fund is contributing to the international effort to achieve net-zero GHG emissions by 2050, limit global warming to 1.5°C above pre-industrial levels and prevent the worst impacts of climate change. The Fund also helps to achieve steady returns and provides downside protection through diversification of investments.

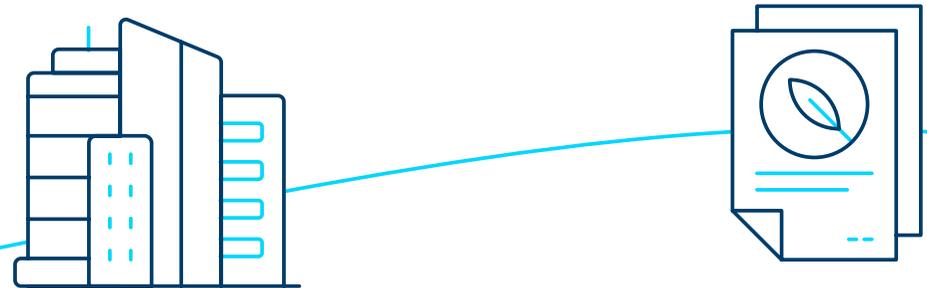


CASE STUDY

KingSett Capital: Leader in the Global Real Estate Sustainability Benchmark

Many real estate investments are private assets. It can be significantly more difficult for investors to obtain ESG information on these assets compared to “public” assets such as stocks and bonds. GRESB, formerly known as the Global Real Estate Sustainability Benchmark, was created in response to this challenge. GRESB collects, validates, scores and independently benchmarks ESG data on real assets such as real estate and infrastructure, to allow investors to better evaluate the ESG performance of funds in these asset classes.

In 2022, IMCO’s commercial real estate partner, KingSett Capital, was recognized as a global sustainability leader by GRESB for the second year in a row, ranking first in North America and first globally. According to the World Economic Forum, real estate drives approximately 40% of global carbon emissions and there is increasing interest among both customers and investors in sustainable real estate and the opportunities it presents.





CASE STUDY

Kohlberg & Company: Advancing Carbon Footprinting in Private Equity

Private equity investments involve taking ownership, or an ownership stake, in a company that is not publicly traded on the stock market. Investment in private companies can offer investors stable returns and diversification, but private companies' disclosure of ESG information is often limited, preventing investors from comparing their ESG performance. It can also be difficult – and cost-prohibitive – for smaller private companies to measure the carbon emissions of their business. Despite these challenges, IMCO's private equity strategic partner, Kohlberg & Company, has succeeded in improving the carbon footprint measurement of its portfolio companies. One hundred percent of Kohlberg's portfolio companies completed a baseline carbon footprint in 2022, up from 67% in 2021.





Stewardship

OPB believes in active ownership and that engagement with companies and policymakers is a more effective strategy to drive value, and ultimately real change, than divestment. Active ownership is generally considered one of the most effective mechanisms to reduce risks and maximize returns while having a positive impact on society and the environment.

IMCO has developed a Stewardship Guideline, which outlines how it uses its influence with external managers, portfolio companies and policymakers to support long-term value creation and sustainable outcomes. IMCO's Stewardship Guideline is aligned to industry best practice, including the Stewardship Principles of the International Governance Network and the Canadian Coalition for Good Governance (CCGG).

Proxy Voting

Proxy voting refers to votes that investors or shareholders cast, usually at an Annual General Meeting for shareholders. Shareholders typically vote on a variety of issues including the election of board members, executive pay, net-zero plans, merger or acquisition approvals or a stock compensation plan. Both management and shareholders can also put forward proposals to be voted on.

OPB expects IMCO to influence investee companies through engagement and shareholder voting to improve corporate practices. We view proxy voting as an important tool to encourage companies to provide adequate disclosure to shareholders relating to ESG factors, policies and initiatives. IMCO exercises voting rights for all securities OPB has exposure to, in accordance with its [Proxy Voting Guideline](#) (PDF).



Did You Know?

IMCO publishes its proxy voting record and includes its rationale when voting against management proposals. IMCO also shares its rationale for all shareholder proposals.

You can find IMCO's proxy voting record [here](#).

Why Can Combining the Role of a CEO and Board Chair Create Issues?

The Canadian Coalition for Good Governance (CCGG), a leading authority on governance best practices, highlights that a company's CEO and Board Chair have different responsibilities and a different focus. The Chair is accountable to shareholders and the CEO is accountable to a Board of Directors. Combining the roles concentrates too much power in the hands of one individual, creates conflicts of interest and obscures accountability. A Chair who is also the CEO, and thus a member of the senior management team, cannot effectively oversee senior management performance.

CASE STUDY

Verisk Analytics: Creating Value Through Governance Engagement

Corporate governance refers to the system of rules, practices and processes by which a company is directed and controlled. Good governance practices underpin a company's ability to effectively address risks of all kinds, including environmental and social risks.

Consideration of a company's governance is part of IMCO's ESG integration process.

For example, during IMCO's pre-investment due diligence on Verisk Analytics, a multinational data analytics solutions provider to international insurance markets, they noted governance issues relating to a classified board structure, and combined CEO and Chair roles, as two key areas for engagement. Following IMCO's engagement with the company and feedback from other investors, management moved to eliminate the classified board structure, separated the roles of the CEO and Chair effective at the 2022 annual meeting, and refreshed the board by appointing four new directors.



How Did IMCO Vote in 2022?

Climate

IMCO voted against **59%** of climate resolutions put forward by companies in 2022 as they did not meet the expectations for climate strategies as set out in IMCO's Proxy Voting Guideline.

OPB and IMCO expect companies we invest in to set a net-zero target by 2050 or sooner (with science-based short- and medium-term emissions reduction targets) and disclose activities in line with TCFD recommendations.

DEI

Both OPB and IMCO are members of the 30% Club Canada and expect at least 30% of a company's Board of Directors to be represented by women. We also expect boards to consider all forms of diversity in the director recruitment process, not just gender.

In 2022, IMCO voted against or withheld votes from directors at 574 companies due to a lack of board diversity.

Shareholder Proposals on ESG Issues

IMCO voted on 385 shareholder proposals submitted on environmental and social issues and supported 68% of them that met its criteria, including:

- **94%** of the shareholder proposals requesting that our portfolio companies conduct human rights risk assessments, improve human rights standards or policies, and conduct racial equity and/or civil rights audits.
- **78%** of the shareholder proposals requesting portfolio companies to put their climate strategy to a shareholder's vote and to improve their climate-related disclosures.
- **88%** of the shareholder proposals that requested companies to provide enhanced shareholder rights.

Supporting Diversity, Equity and Inclusion Through Proxy Voting

IMCO is a member of the 30% Club Canada, a global campaign to boost female representation at the board and C-suite level among the world's biggest companies. IMCO and fellow investor members wrote a joint updated statement of intent in March 2022. The new statement calls on publicly traded companies to take prompt and considered action to achieve and exceed a minimum of 30% women on boards and at the executive management level, and to increase the presence of other underrepresented groups on their boards and among their executive managers.

As per its Proxy Voting Guideline, IMCO expects a minimum of 30% of a board to be represented by women.



Did You Know?

Each year, investors in companies listed on stock exchanges have the right to cast votes at a company's Annual General Meeting – a process commonly known as proxy voting. Proxy voting offers shareholders a significant opportunity to influence the direction of a company, particularly through the election of board directors. In 2022, IMCO voted against or withheld votes from board directors at 574 companies because of lack of diversity on the board. This sends an important message to companies that can lead to improved board diversity over time.



Collective Engagement

Another powerful stewardship tool is collective engagement, where investors collaborate to engage individual portfolio companies or entire industry sectors on ESG issues.

Partnering with co-investors to engage our portfolio companies, policymakers and the broader financial industry is a key part of IMCO’s approach to stewardship.



To read more about IMCO’s collective engagement activities, read its [2022 ESG Report](#) or visit IMCOinvest.com.

How IMCO Is Participating in Industry Collective Engagement

Below we have highlighted a few of the ways IMCO partnered with other investors to engage our portfolio companies, policymakers and the broader financial industry in 2022.



As a member of Climate Action 100+, IMCO participates in collective engagements with the world’s largest corporate GHG emitters, encouraging them to take action to improve climate change governance, cut emissions and strengthen climate-related financial disclosures.



IMCO has joined over 100 general partners (GPs) and limited partners from across the globe working to streamline the private equity industry’s historically fragmented approach to collecting and reporting ESG data. Data from GPs is aggregated into an anonymized benchmark covering GHG emissions, renewable energy, board diversity, work-related injuries, net new hires and employee engagement, enabling greater transparency and more comparable portfolio reporting in private markets.



As a member of the 30% Club Canada, IMCO and fellow investor members wrote a joint updated statement of intent. The new statement calls on publicly traded companies to take prompt and considered action to achieve and exceed a minimum of 30% women on boards and at the executive management level, and to increase the presence of other underrepresented groups on their boards and among their executive managers.



Through its CCGG membership, IMCO promotes good governance practices at Canadian public companies and an improved regulatory environment to better align the interests of boards and management with those of their shareholders. In 2022, IMCO’s Vice President, Head of Responsible Investing, sat on CCGG’s Environmental & Social Committee and supported CCGG’s public policy submissions, guidance and research.



Screening (Excluded Investments)

OPB recognizes the importance of considering ESG-related risks within our investments. There are several approaches that investors can adopt when companies or sectors are exposed to a high level of ESG risk. For example, they can choose to engage companies to address the risks, or if the risks are deemed to be too high, they can exclude the companies from investment (also known as screening).

Generally speaking, OPB believes engagement is more effective than exclusion or screening. We believe investors can exert an important positive influence on companies through engagement and proxy voting on ESG, but this is only possible if they retain their seat at the table, which means remaining invested.

That said, IMCO has established a Screening Guideline to identify investments where it believes the risks associated with these categories outweigh any potential rewards. These investments are currently identified as follows:

- entities sanctioned under Canada's *Special Economic Measures Act* or *United Nations Act*;
- companies involved in the production of controversial weapons such as antipersonnel landmines, cluster munitions, and chemical, biological and nuclear weapons;
- companies that derive over 10% of revenue (as measured on a three-year rolling basis) from manufacturing firearms and small arms ammunitions for civilian markets;
- companies that derive more than 10% of revenue (as measured on a three-year rolling basis) from the operation of for-profit prisons and detention centres;
- companies that derive more than 10% of revenue (as measured on a three-year rolling basis) from the production of tobacco products;
- companies that derive more than 10% of revenue (as measured on a three-year rolling basis) from thermal coal mining; and
- companies that derive more than 10% of revenue (as measured on a three-year rolling basis) from Arctic oil and gas production.



To read IMCO's Screening Guideline, visit [IMCOInvest.com](https://www.imcoinvest.com).



Looking Forward

OPB believes that addressing ESG issues, both within our corporate operations and our investments, is critically important to ensuring our long-term success as an organization and our ability to protect the pension promise for generations to come. We are committed to continuing to make progress on ESG.





Our first report focuses on providing our members with an overview of the work and activities we have undertaken over the past few years to advance our ESG practices as an organization. Over time, we expect to mature our ESG reporting and start to report against metrics and benchmarks that are material for OPB.

As we move forward, we will continue our focus on strong governance, advancing DEI within our organization and working with IMCO to effectively address climate risk and opportunities and ESG within our investment portfolio.

In particular, we will:

- continue to monitor IMCO's progress and provide feedback on developments;
- monitor pension and investment industry trends in ESG best practices and incorporate them where appropriate;
- work together with the DEI Advisory Council on building out a roadmap to continue advancing DEI within OPB;
- continue to offer educational opportunities and develop and share informative content to help foster a better understanding of DEI issues;
- enhance our client communications on ESG and transparency on our ESG activities; and
- continue to engage members for their feedback on our ESG communications.

Want to Know More?

Have a specific question?

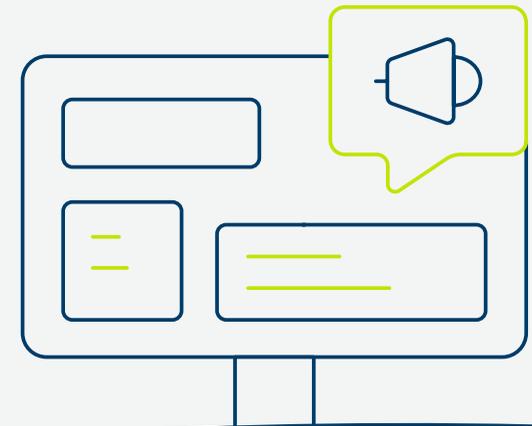
Email us at feedback@opb.ca

Visit opb.ca/esg

Visit www.imcoinvest.com

For detailed information on OPB's investments, please see our latest [annual report](#)

[YouTube](#)





Glossary

Accessibility

Accessibility refers to the design of products, devices, services or environments for people who experience disabilities. It is an organization's efforts to make employment and services available to persons with disabilities, including but not limited to those with visual, hearing, physical and/or cognitive impairments.

Active Ownership

See Stewardship.

Biodiversity

Biodiversity is a short form for biological diversity and refers to the variety of living species on earth, including plants, animals, bacteria and fungi. When examining biodiversity in a particular location or environment, the variety of species are considered as well as their interactions and interdependence, and the specifics of the ecosystem in which they live.

Business Ethics

Business ethics are the moral principles, policies and values governing how companies and individuals engage in business activity.

Canada's Special Economic Measures Act

Canada sometimes imposes sanctions on another country, which can include restricting or prohibiting trade, financial transactions or other economic activity. The *Special Economic Measures Act* (SEMA) allows Canada, in the absence of United Nation Security Council resolution, to impose sanctions in four situations: 1) when a grave breach of international peace and security has occurred and has resulted in, or is likely to result in, a serious international crisis; 2) when an international organization calls on members to impose sanctions; 3) circumstances of gross and systematic human rights violations; or 4) when acts of significant corruption have been committed. Currently, there are 25 nations on the list of [sanctioned countries](#).

Canadian Coalition for Good Governance (CCGG)

The CCGG is a membership organization of institutional shareholders that invest in Canadian public equities. It promotes good governance practices, including the governance of environmental and social matters, at Canadian public companies.

Carbon Capture, Utilization and Storage

Carbon capture, utilization and storage is a process in which a relatively pure stream of carbon dioxide (CO₂) from industrial sources is separated, treated and transported to a long-term storage location.

Carbon Dioxide Equivalent (CO₂e)

Different greenhouse gases, such as carbon dioxide and methane, have different levels of climate change impact ("global warming potential"). CO₂e expresses emissions of any GHG in terms of the amount of carbon dioxide emissions that would have the same impact, allowing all GHGs emitted to be expressed in a single metric.

Carbon Footprint

Carbon footprint measures a country's, organization's, industry's or group's carbon dioxide (CO₂) production. It is expressed as a weight of CO₂ emissions produced in tons, typically over a year.

Carbon Sequestration

Carbon sequestration is the process of withdrawing and storing carbon dioxide (CO₂) from the atmosphere. It is one method of reducing the amount of CO₂ in the atmosphere to reduce global climate change. Types of sequestration include biological (e.g., forests), geological (injection of carbon into rock formations) and technological (innovative technologies to remove and store carbon from the atmosphere).

Clean Technologies

Clean technologies are a range of technology and solutions to support decarbonization or energy efficiency (e.g., batteries, smart grid, electrification).

Climate Action 100+

Climate Action 100+ is an investor-led engagement initiative to ensure the world's largest publicly traded corporate greenhouse gas emitters take action on climate change.

Climate Change

The United Nations defines climate change as long-term shifts in temperatures and weather patterns. Such shifts can be natural due to changes in the sun's activity or large volcanic eruptions. But since the 1800s, human activities have been the main driver of climate change, primarily due to burning fossil fuels like coal, oil and gas.

Cybersecurity

Cybersecurity refers to any technology, measure or practice for preventing cyberattacks or mitigating their impact.

Diversity, Equity and Inclusion (DEI)

Diversity, equity and inclusion are goals that an organization actively supports to promote "the fair treatment and full participation of all people", particularly groups "who have historically been underrepresented or subject to discrimination" based on race, ethnicity, gender identity, sexual orientation or disability.

Emissions Intensity

GHG emissions intensity is a way to measure GHG emissions per unit of activity or process (e.g., per employee, per dollar invested, per dollar of revenue, per unit of production, etc.) that allows comparisons of climate impact and resource efficiency.



Emissions Targets

Emissions targets are time-bound goals; that is, they have a base year and a target year for the reduction of greenhouse gas emissions.

Energy Transition

Energy transition refers to the global energy sector's shift from fossil-based systems of energy production and consumption – including oil, natural gas and coal – to renewable energy sources such as wind, solar, tidal and geothermal.

Environmental, Social and Governance (ESG)

Environmental, social and governance (ESG) are a range of issues (see [page 2](#)) that, together with our investment partner, we consider in our strategies and decisions. As a pension plan administrator, we are focused on how we are progressing on ESG both within our organization and within our investment portfolio. We believe that companies and investment managers that effectively address ESG issues, including climate change, are more likely to improve shareholder value and improve the Plan's investment performance over the long term – which helps pension plan members.

Financial Literacy

Financial literacy is the ability to understand and effectively use various financial tools and skills. It equips an individual with the knowledge to make informed decisions and empowers one to take control of their finances.

Forest Stewardship Council

An [international non-profit organization](#) founded in 1993 to promote responsible management of the world's forests through a market-based approach to environmental policy and a globally recognized timber certification program.

Global Warming

Global warming is a gradual, long-term increase in the average temperature of the earth's atmosphere due to the greenhouse effect, which has intensified due to human activities such as burning fossil fuels and cutting down forests.

Greenhouse Gas Emissions

Greenhouse gases are gases that trap heat in the earth's atmosphere, creating a "greenhouse effect" in which the earth's climate is warmer than it would be without the presence of these atmospheric gases. The most common GHGs include carbon dioxide, methane and nitrous oxide. GHG emissions from human activities such as burning fossil fuels and deforestation contribute to climate change.

GRESB

GRESB is an international mission-driven and industry-led organization that provides actionable and transparent ESG data related to commercial real estate and infrastructure investments to financial markets. GRESB provides a rigorous methodology and consistent framework to measure the ESG performance of individual assets and portfolios based on self-reported data.

Human Rights

Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion or any other status. The United Nations defines human rights as the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, and the right to work and education. Everyone is entitled to these rights, without discrimination. The full United Nations' Universal Declaration of Human Rights includes 30 articles.

Integration

Just like traditional financial factors, ESG integration recognizes that environmental, social and governance factors can pose material financial risks and, therefore, seeks to factor into the investment due diligence process the ESG criteria that might impact the financial performance of investments.

Just Transition

A just transition to a net-zero emissions economy that avoids the worst impacts of climate change does not leave workers and communities behind, and respects Indigenous reconciliation

Labour Standards

Labour standards set out the employment conditions for hours of work, payment of wages, leaves, vacation, holidays and more.

Leadership in Energy and Environmental Design (LEED) Certification

LEED, developed by the non-profit U.S. Green Building Council, is the world's most widely used green building rating system. LEED certification provides a framework for healthy, highly efficient and cost-saving green buildings offering ESG benefits.

Low-Carbon Economy

An economy in which the level of GHGs emitted is minimized.

Microaggressions

Microaggressions are verbal, behavioural or environmental slights, whether intentional or unintentional, that communicate hostile, derogatory or negative attitudes toward stigmatized or culturally marginalized groups.

Net Zero by 2050

Through the Paris Agreement, the global community has agreed that avoiding the worst impacts of climate change means limiting the increase in average temperature by the end of the century to **1.5°C**. Achieving this goal requires significant and rapid reductions in GHG emissions. Canada has joined over 120 countries in committing to **Net Zero by 2050**. At Net Zero, all GHG emissions are either avoided or offset by actions that remove GHGs from the atmosphere.



Paris Agreement (Paris-aligned)

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 parties at the UN Climate Change Conference (COP21) in Paris in 2015 and entered into force in 2016. Its goal is to hold “the increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels”.

Principles for Responsible Investment (PRI)

The PRI is an independent, not-for-profit international organization working to achieve a sustainable global financial system by encouraging the adoption of its six Principles for Responsible Investment and collaboration on their implementation; fostering good governance, integrity and accountability; and addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

Renewable Energy

Renewable energy is energy that is derived from natural sources that are replenished at a higher rate than they are consumed. Sunlight and wind, for example, are sources that are constantly being replenished.

Responsible Investing

Responsible Investing is an approach that incorporates ESG considerations into the investment process, to better manage risk and generate sustainable, long-term returns. There are a broad set of ESG issues that are increasingly material and important.

Risk Mitigation

Risk mitigation is the systematic effort to avoid risks, minimize risks or reduce the impact of risks on organizations. Risks can be financial, environmental or reputational. A risk mitigation plan or strategy guides organizations on how to bear and control risks while achieving their objectives.

Science-based Scenarios

With respect to environmental goals, science-based scenarios are derived from science-based targets to help investors assess the potential of a given investment within the parameters of their financial goals and risk tolerance.

Science-based Targets

Science-based targets refer to science-based emissions reduction targets that are independently verified against a set of criteria developed by the Science Based Targets initiative (SBTi). These typically refer to energy and greenhouse gas reduction goals aligned with the 1.5°C or well-below 2°C criteria as outlined in [the Paris Agreement](#).

Scope 1 Emissions

Direct GHG emissions from sources owned or controlled by an organization (e.g., fuel combustion in boilers, furnaces and vehicles).

Scope 2 Emissions

Indirect GHG emissions from the generation of energy such as electricity, heat, steam or cooling purchased by an organization.

Scope 3 Emissions

Indirect GHG emissions associated with an organization’s activities from sources not owned or controlled by the organization (e.g., employee business travel, supply chain, use of products and financed emissions). This includes all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Screen Reader

A screen reader is a software application for the blind or visually impaired that is installed onto a device (or, in some cases, as a browser extension) and used with other applications on that device in order to render text audibly.

Screening

Screening refers to a practice where investors make a conscious decision to exclude potential investments that conflict with ESG objectives from the portfolio, based on defined criteria. This is also referred to as exclusions. It can involve completely excluding a business activity or sector or it can limit investments based on a revenue threshold derived from the excluded activity.

Stewardship

Stewardship refers to using investor influence to support long-term value creation and sustainable outcomes. This can happen in two ways:

- Engagement: Undertaking dialogue directly with investee companies or collectively with other investors.
- Proxy voting: For Public Equity holdings, incorporating ESG considerations when voting on management proposals put forward by the company and shareholder proposals put forward by investors.



Sustainable Investing

Sustainable Investing includes investing in long-term opportunities and sustainable solutions that contribute to investment returns and have a positive impact on the environment and society. Sustainable solutions are companies or projects that derive at least 50% of their business from products or services that provide climate or social solutions and address one or more of the United Nations Sustainable Development Goals.

Systemic Racism

Systemic racism is defined as policies and practices that exist throughout a whole society or organization that result in and support a continued unfair advantage to some people and unfair or harmful treatment of others based on race or ethnicity.

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board (FSB) established the TCFD in 2015 to improve and increase the reporting of climate-related financial information. The TCFD recommendations were a climate disclosure framework for companies and investors intended to enhance market transparency and enable efficient capital allocation in the transition to a low-carbon economy as outlined in the Paris Agreement. The TCFD recommendations have now been incorporated to the new International Financial Reporting Standards (IFRS) International Sustainability Disclosure Standards, as well as being incorporated into mandatory climate disclosure requirements in several jurisdictions. As a result, the TCFD has fulfilled its remit and disbanded, and the IFRS Foundation will take over the monitoring of the progress of companies' climate-related disclosures.

Thermal Coal

Thermal coal, also known as steam coal, is used primarily in boilers, to generate steam for the production of electricity, for process heating purposes or as a direct source of heat. Thermal coal refers to all coal not classified as coking (or metallurgical) coal.

Transparency

Transparency in a business or governance context refers to being open and honest. As part of corporate governance best practices, this requires disclosing all relevant information so that others can make informed decisions.

United Nations Act

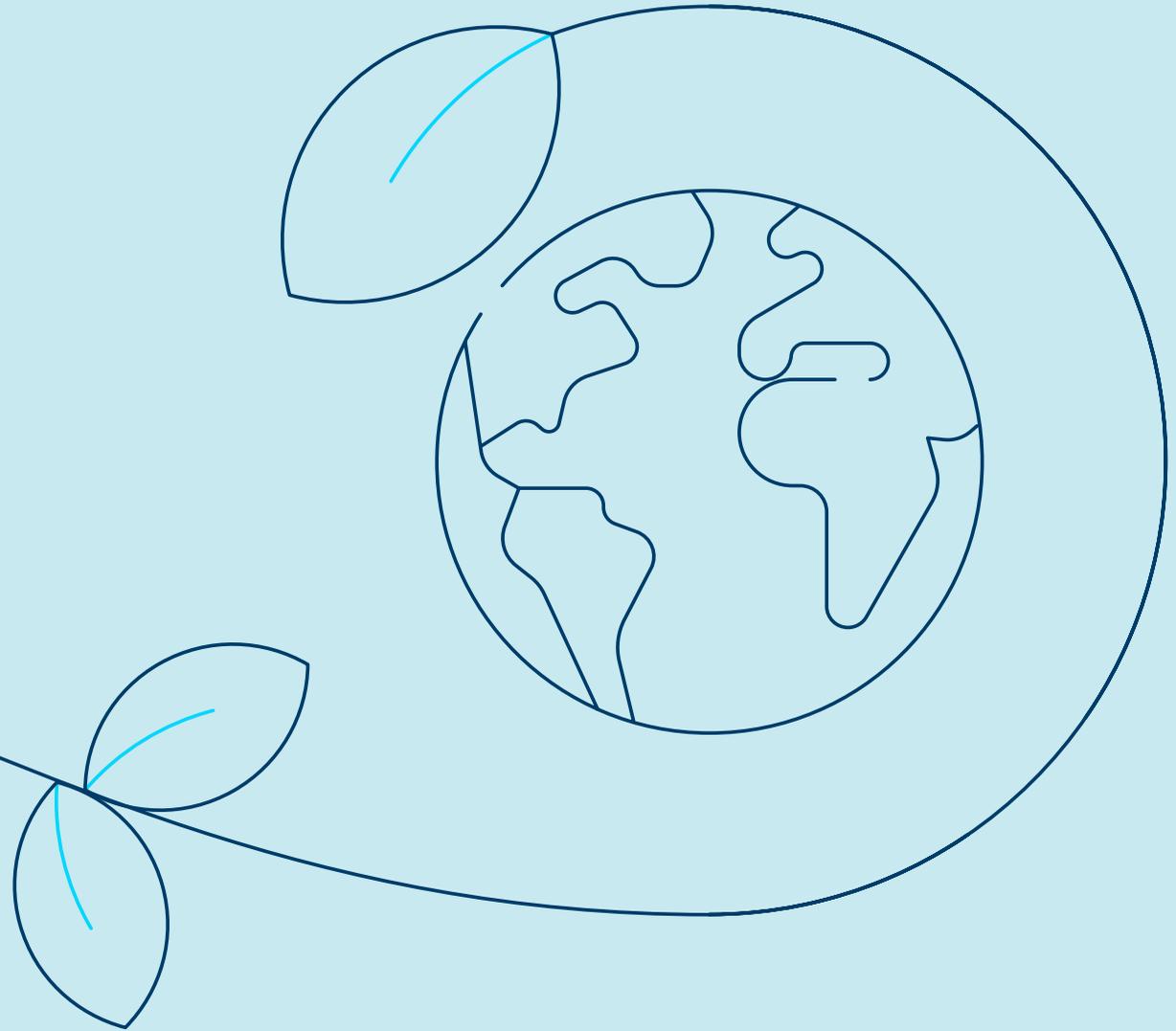
The *United Nations Act* is legislation that enables the Canadian government to implement decisions passed by the United Nations Security Council, including sanctions resolutions.

United Nations Sustainable Development Goals (SDGs)

The United Nations created 17 world development goals called the Sustainable Development Goals in 2016 with the aim of “peace and prosperity for people and the planet, now and into the future”. They include eliminating poverty, promoting health, education, gender equality, clean water and sanitation, affordable clean energy, climate action and more. The SDGs are goals for the elimination of poverty and protection of the environment by 2030.



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