# Sustainable Investing Policy

(formerly Policy for Environmental, Social & Governance Investment Issues)

Your Pension. Our Promise.

# Contents

# Purpose and Scope

The purpose of this Policy is to articulate OPB's approach to sustainable investing and the oversight of environmental, social, and governance ("ESG") factors within the Fund's investment activities.

OPB's approach to sustainable investing supports the organization's mission of delivering sustainable pension security for members over the long term. In this context, sustainable pension security refers to the long-term financial sustainability of the pension plan and its ability to meet its pension obligations. Sustainable investing, as referenced in this Policy, involves the consideration of ESG factors that may affect the long-term risk, return, resilience, and value of the Fund's investments.

OPB recognizes that ESG factors can influence investment outcomes and, accordingly, seeks to ensure that these factors are appropriately identified, assessed, monitored, and managed as part of prudent investment oversight, risk management, and stewardship practices. OPB also recognizes and monitors potential reputational risks that may arise in connection with ESG-related matters.

In applying this Policy, OPB considers ESG factors only where they are relevant to the long-term risk and return of the Fund's investments and in a manner consistent with its fiduciary obligations to Plan beneficiaries.

OPB has delegated the investment management of the Fund's assets to the Investment Management Corporation of Ontario ("IMCO"). While the implementation of investment activities, including ESG integration and active ownership practices, has been delegated to IMCO, OPB retains responsibility for establishing the Fund's investment governance framework, investment beliefs, policies, and oversight approach.

This Policy is intended to:

- articulate OPB's approach and expectations relating to sustainable investing;
- outline OPB's oversight of ESG integration, stewardship, and active ownership activities carried out by IMCO on behalf of the Fund;

- support transparency and accountability to the Board, Plan members, and other stakeholders; and
- promote alignment between the Fund's long-term investment objectives, fiduciary responsibilities, and investment oversight practices.

This Policy should be read in conjunction with OPB's Statement of Investment Policies and Procedures ("SIP&P") and IMCO's Sustainable Investing Policy, recognizing that investment management responsibilities have been delegated by OPB to IMCO.

This Policy is designed to ensure that OPB's fiduciary responsibilities, investment beliefs, and oversight practices are consistently aligned. OPB's fiduciary duty informs its investment beliefs regarding the financial relevance of ESG factors; those beliefs guide expectations for ESG integration and stewardship by IMCO; and OPB's oversight framework is intended to monitor whether those expectations are implemented in a manner consistent with the Fund's long-term risk and return objectives.

## Legal and Regulatory Framework

As the administrator of the Plan, OPB is subject to a fiduciary standard of care and duty of loyalty under the Ontario Pension Benefits Act ("PBA") and common law. The content of these duties is determined by the courts and may be summarized as a requirement to engage in deliberate, even-handed decision making with a view to the best interests of the plan beneficiaries as a whole.

It is widely accepted that the best financial interests should consider ESG factors which are relevant to a plan's financial performance over varying time horizons. It is important that factors such as ESG are incorporated in a manner that support, and do not take precedence over, OPB's overriding fiduciary responsibilities. The relevance of ESG factors to pension plan investing is reflected in regulations under the PBA, which require administrators to disclose in the Plan's SIP&P whether ESG factors are considered and, if so, how they are incorporated into investment decision-making. The PBA regulations also require that member statements note the administrator's obligation to establish a SIP&P and to disclose within it whether ESG factors are taken into account.

Nothing in this Policy is intended to require or permit investment decisions to be made for non-financial purposes or in a manner inconsistent with OPB's fiduciary duties under the PBA and common law.

## ESG Investment Beliefs

The following investment beliefs relating to ESG are stated in the Plan's SIP&P:

OPB believes that corporations which effectively address ESG factors are more likely to improve shareholder value over the longer term. Furthermore, failure to identify and mitigate such ESG issues may impede the long-term performance of OPB's investment in a security or asset.

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 shareholder value, (2) reduce risk and (3) ensure alignment with OPB's values.

Evaluating ESG factors must also 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 with problematic ESG issues and to consider divesting from investments where insufficient action is taken to address those issues.

In addition, 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. Where consistent with its risk and return objectives, OPB supports the consideration of investments which would have a positive effect on reducing Greenhouse Gas Emissions and slowing the rise in global temperatures.

Furthermore, consistent with its values, OPB believes diversity, equity and inclusion ("DEI") considerations should be integrated by IMCO into its investment process and that IMCO should pursue improved DEI practices at investee companies.

OPB has delegated responsibility to IMCO for the consideration of all ESG factors in the Fund's investments, including considerations involving climate change. To ensure this delegated responsibility is carried out effectively, OPB will actively monitor IMCO's execution.

## Key Principles

This approach to sustainable investing reflects OPB's fiduciary responsibility to the Public Sector Pension Plan's ("Plan") members and its responsibility to its stakeholders, and is aligned with the United Nations-supported Principles for Responsible Investment ("PRI" or the "Principles"), to which OPB and IMCO are signatories. The six voluntary and aspirational Principles are:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

## ESG Management and Stewardship

OPB has delegated responsibility to IMCO for the consideration of ESG factors in accordance with the Plan's SIP&P and applicable IMCO policies and procedures, where relevant, across asset classes, sectors, strategies, and stages of the investment process. OPB expects IMCO to employ a range of processes to address ESG factors including a robust screening framework and active corporate engagement. IMCO's Stewardship Guideline describes

IMCO's stewardship approach for engaging with entities where IMCO has ownership and can meaningfully influence and/or control investable assets on material ESG issues.

IMCO will regularly report to OPB on the consideration of ESG factors in accordance with applicable IMCO and OPB policies and procedures as well as proxy voting results. OPB reviews IMCO's reporting on its climate change governance, strategy, risk management, metrics, targets and reporting on the implementation of its commitments to the Paris Aligned Asset Owners.

The integration of ESG factors into OPB's investment strategy is outlined in the Plan's SIP&P and below.

**Screening Investments**

IMCO's Screening Guideline outlines the categories of investments that are screened out because the risk associated with those categories outweigh any potential rewards. The Screening Guideline is applicable to all investments and asset classes where IMCO can meaningfully influence or control investable assets:

> **Controversial Weapons**: IMCO excludes investments in companies involved in the production of antipersonnel landmines, cluster munitions, chemical, biological, and nuclear weapons.
>
> **Firearms**: IMCO excludes investments in companies where over 10% of revenue (as measured on a 3-year rolling basis) is from the manufacture of firearms and small arms ammunitions for civilian markets. The exclusion does not cover companies that cater to the military, government, and law enforcement markets.
>
> **For-Profit Prisons**: IMCO excludes investments in companies where over 10% of revenue (as measured on a 3-year rolling basis) is derived from the operation of for-profit prisons and detention centres.
>
> **Tobacco**: IMCO excludes investments in companies where over 10% of revenue (as measured on a 3-year rolling basis) is derived from the production of tobacco products.

**Thermal Coal Mining**: IMCO excludes investments in companies where over 10% of revenue (as measured on a 3-year rolling basis) is derived from mining of thermal coat (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.

**Arctic Oil and Gas Production**: IMCO excludes investments in companies where over 10% of revenue (as measured on a 3-year rolling basis) is derived from Arctic oil & gas production, either offshore or onshore production. The definition of Arctic is geographical and includes production activities north of the 66.5° latitude.

### Evaluation and Selection of External Investment Managers

When evaluating and selecting external investment managers for specific mandates IMCO will consider the manager's ESG practices as one factor and take these into account when selecting the manager. These external managers execute investment decisions that are based on evaluating the overall trade-offs between risks and returns. ESG practices and performance are also a consideration in the ongoing monitoring and evaluation of external investment managers.

### Private Market Assets

ESG factors are considered by IMCO in the due diligence process of the selection of general partners, limited partnership investments and direct investments in private market assets, including real estate, infrastructure, global credit and private equity. These considerations are monitored over the life of the investments. IMCO, often via property managers, incorporates ESG initiatives into the asset management of directly held real estate.

### IMCO's Internal Mandates

IMCO's internal asset management capabilities vary across all asset classes and ESG considerations also vary with each strategy. However, in general IMCO seeks to robustly integrate relevant ESG considerations into the management of its internal mandates. ESG risks and opportunities are considered by IMCO in the due diligence process. ESG considerations are also part of IMCO's portfolio construction process, including with respect to the selection, portfolio weight and the holding period of individual assets, where applicable. The results from the ESG analysis are reviewed by IMCO as part of the investment approval process, taking into consideration both financial and ESG considerations. ESG issues are actively monitored over the life of the investment including ESG performance information on material ESG risks specific to the portfolio.

### Proxy Voting

Unless otherwise determined by the Board of Directors of OPB, responsibility for voting all securities owned by OPB is delegated to IMCO.

The overriding criterion for voting securities is the best interests of the Plan. IMCO has engaged a third-party proxy voting service provider to assist with shareholder voting responsibilities. In addition, IMCO has also established a Sustainable Investing Policy and Proxy Voting Guidelines that guide the exercising of voting rights and IMCO will exercise voting rights in accordance with the Policy and Guidelines. IMCO discloses proxy votes ahead of a publicly traded company's annual general meeting, including the rationale for when they vote against management proposals and all shareholder proposals, as well as their proxy voting record, on their website.

IMCO will incorporate ESG factors, among other relevant factors, into its voting of publicly traded securities. OPB views proxy voting as an important tool to encourage companies and other enterprises to provide adequate disclosure to shareholders relating to ESG factors, policies and initiatives. As noted above, IMCO will exercise voting rights in accordance with its Proxy Voting Guidelines and Sustainable Investing Policy.

### Collective Engagement

OPB and IMCO are signatories to the United Nations-supported Principles for Responsible Investment, an important forum for collective engagement with companies and for working with other investment organizations globally. IMCO, on OPB's behalf, will engage collaboratively with companies along with other institutional investors. Collaborative engagement leverages internal resources and encourages improved disclosure practices and performance of ESG factors across the investment portfolio.

### Participation in External Organizations

OPB recognizes the importance of maintaining knowledge of ESG issues and participating in forums where it can learn and amplify its voice. This can be done directly as well as through IMCO. The Appendix provides a list of the organizations with which OPB and IMCO participate.

## Oversight of IMCO

Given that investment management is delegated to IMCO, it is critical that OPB effectively oversee that execution, including with respect to addressing ESG issues. This process is continuous and has four key elements, as outlined below:

1. Effectively articulate objectives and expectations
    a. Provide and discuss current versions of SIP&P and Sustainable Investing Policy
    b. Provide input into content of IMCO Policies as they relate to ESG
    c. Provide input into content of IMCO reporting to ensure sufficient and appropriate ESG information is provided to OPB
2. Interact formally and informally to ensure ongoing alignment on issues
    a. OPB Investment Committee agenda to include ESG topics
    b. OPB Management to interact regularly with IMCO staff responsible for Sustainable Investing
    c. OPB Management to review and provide input into ongoing IMCO activity regarding sustainable investing
3. Regularly and comprehensively monitor results, activity and progress
    a. Annual in-depth review of IMCO's Sustainable Investing strategy by OPB Investment Committee
    b. Discussion of key projects, developments and strategy

    In conducting this oversight, OPB considers not only whether appropriate ESG policies, processes, and activities are in place, but also whether ESG considerations are being applied in a manner consistent with OPB's investment beliefs and the Fund's long-term financial objectives.

4. Provide feedback and evolve objectives and expectations
    a. Review and provide feedback on IMCO's Sustainable Investing Policy
    b. Share OPB's objectives and activities regarding sustainable investing with IMCO
    c. Provide informal feedback during meetings between OPB Management and the IMCO Sustainable Investing team
    d. Review and provide feedback on IMCO's Sustainability Report or sustainability content in their annual report

## Communications and Reporting to OPB Stakeholders

It is important to report key sustainable investment progress and activities to OPB's various stakeholders. The annual report and OPB website are the primary vehicles for reporting on ESG issues and activities. OPB has developed a communications strategy to guide its communication with members and the public and aims to engage with beneficiaries relating to their concerns and questions about ESG issues.

Reporting is intended to provide the Board, Plan members, and other stakeholders with a clear understanding of how ESG considerations are incorporated into investment decision-making, how they relate to the Fund's risk profile and long-term financial sustainability, and how OPB oversees IMCO's execution of sustainable investing activities. Over time, OPB will assess whether enhancements to the nature, scope, or frequency of reporting are appropriate to continue to support meaningful transparency and accountability.

## Governance

The Board has delegated responsibility for operationalizing this Policy to the CEO, and the CEO, in turn, has delegated responsibility for overseeing the sustainable investing program and for ensuring that the Board receives the reporting it requires on the program to the Chief Investment Officer.

## Policy Oversight and Review

The Investment Committee shall review and recommend this Policy to the Board of Directors for approval annually or earlier if the need arises, to ensure that it remains relevant and current. The Investment Committee is responsible for monitoring the implementation of this Policy.

## Approval

This Policy was last reviewed and approved by OPB’s Board of Directors on June 4, 2026 with effect as of the same date.

# Appendix A

Relevant external organizations of which OPB is a member:

- Association of Canadian Pension Management (ACPM)
- Black North Initiative
- Pension Investment Association of Canada (PIAC)
- Responsible Investment Association of Canada (RIA)
- The 30% Club
- United Nations-supported Principles for Responsible Investment (PRI)

Relevant external organizations of which IMCO is a member:

- Canadian Coalition for Good Governance (CCGG)
- CDP
- Ceres
- Climate Action 100+
- Climate Engagement Canada (CEC)
- ESG Data Convergence Initiative
- GANFZ (Glasgow Financial Alliance for Net Zero)
- GREEN (Global Real Estate Engagement Network)
- International Corporate Governance Network (ICGN)
- Paris Aligned Asset Owners (PAAO)
- Paris Aligned Investor Initiative (PAII)
- Partnership for Carbon Accounting Financials (PCAF)
- Pension Investment Association of Canada (PIAC)
- Real Property Association of Canada (REALpac)
- Responsible Investment Association of Canada (RIA)
- The 30% Club
- United Nations-supported Principles for Responsible Investment (PRI)

# Appendix B

**Defining ESG Factors:**

**Environmental**: Factors relating to a company's interaction with the physical environment. These include but are not limited to: climate change, greenhouse gas emissions, biodiversity loss, deforestation, waste management, contamination and pollution, and water scarcity.

**Social**: Factors relating to business practices that have an impact on the rights, well-being and interests of employees, consumers, suppliers, and communities. These include but are not limited to: labour and human rights, workplace health and safety, diversity, equity and inclusion, relations with local committees (including indigenous communities), consumer protection, and controversial weapons.

**Governance**: Factors relating to the system of structures a company puts in place to ensure it is effectively directed and controlled and that there is proper alignment of management and stakeholder interests. These include but are not limited to: board structure and composition, executive pay, shareholder rights, business ethics, bribery and corruption, conflicts of interest, and internal controls.