



November 2023

Ontario Teachers' Green Bond Framework

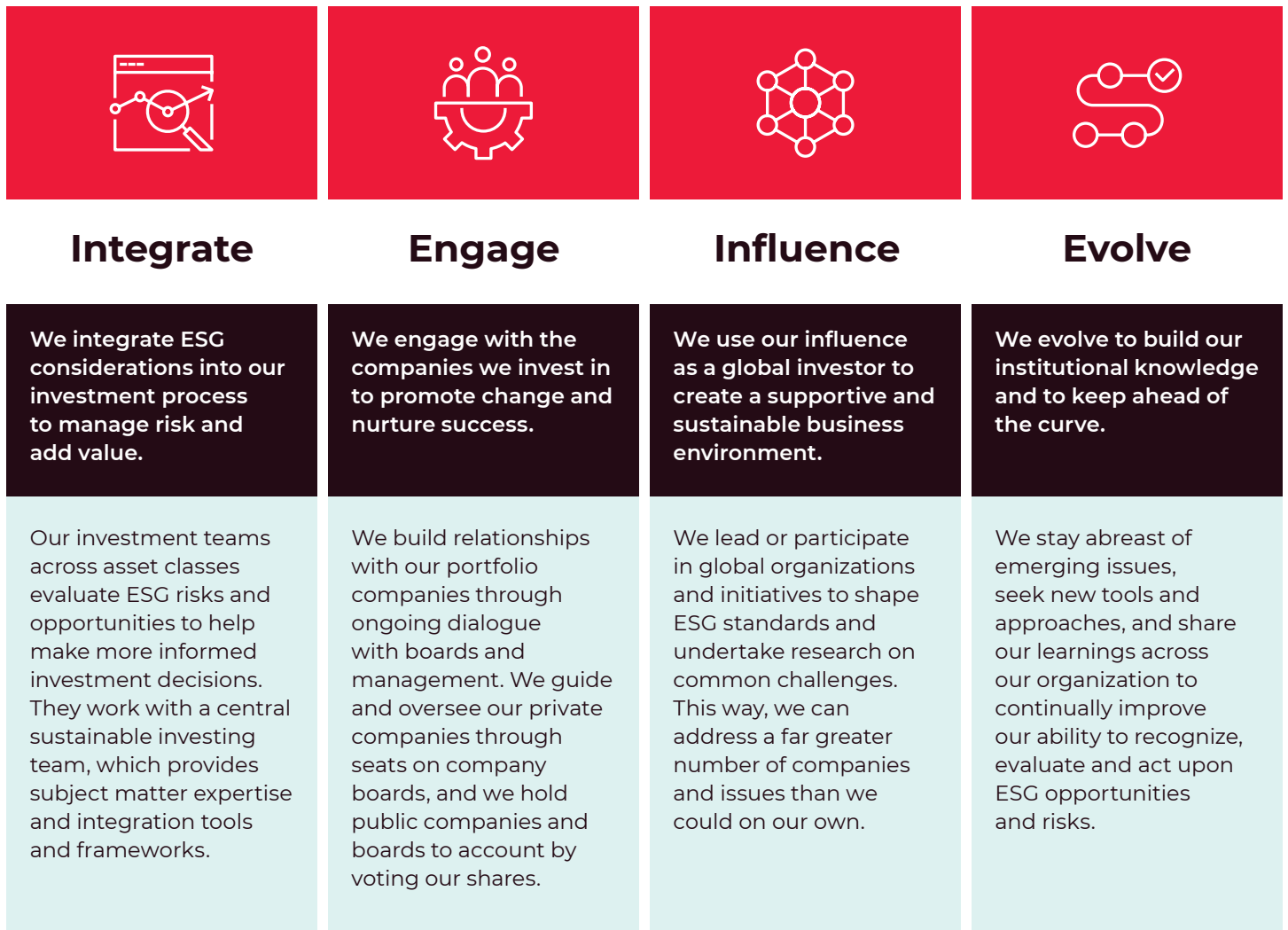


Introduction

We are the Ontario Teachers' Pension Plan Board (Ontario Teachers' or OTPPB)¹, the administrator of Canada's largest single-profession pension plan. We actively invest on behalf of working members and pensioners. Our mission is to provide outstanding service and retirement security for our members – today and tomorrow.

At Ontario Teachers', we invest to contribute far more than capital. We contribute expertise and influence along with our capital, across and beyond our portfolio, to shape a better future for the teachers we serve, the businesses we back and the world we live in.

We have established four responsible investing principles that guide our consideration and management of environmental, social and governance (ESG) factors.



¹ The use of the terms "Ontario Teachers," "we," "our" and "us" includes OTPPB together with its subsidiaries, including Ontario Teachers' Finance Trust (OTFT), unless the context otherwise requires.

Our approach to managing climate change




The decarbonization of the global economy is the challenge of our time, which is why Ontario Teachers' has committed to achieving net zero by 2050 and set interim targets to reduce portfolio carbon emissions intensity by 45% by 2025 and two-thirds (67%) by 2030 compared to its 2019 baseline in order to measure its progress along the way. How quick and orderly the transition will be depends on many factors. While we cannot predict the future, we can and must prepare for the possibilities. The transition is expected to bring new products, markets and opportunities, but also large-scale disruption and risk. To successfully manage the pension plan through the transition to a low-carbon future, and ensure the pension plan remains sustainable for current and future generations of our members, we take an active investment approach to

shape a better future by investing in opportunities, integrating climate considerations in the investment process, engaging with companies and industry, and continually evolving our process.

Invest in opportunities

The transition to a low-carbon economy presents good investment opportunities to Ontario Teachers'. To grow assets under management while having a positive impact on climate change and sustainable development, Ontario Teachers' seeks long-term investments that support a transition to a low-carbon economy. To support our objective, we have established high-level green investment principles.

Ontario Teachers' Green Investment Principles

 <p>Green investments enable net-zero transition</p> <ul style="list-style-type: none"> • Products or services that replace direct fossil-fuel use • Technologies or infrastructure to facilitate low-carbon solutions • Key inputs for low-carbon solutions 	 <p>Green investments reduce net greenhouse gas (GHG) emissions</p> <ul style="list-style-type: none"> • Products or services that significantly reduce emissions¹ • Products or services that remove/store carbon 	 <p>Green investments build a sustainable economy</p> <ul style="list-style-type: none"> • Products or services that help adapt to climate change impacts • Products or services that help conserve scarce natural resources
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The United Nations has established 17 Sustainable Development Goals (SDGs) for 2030. Ontario Teachers' green investments can contribute to meeting several SDGs.



¹ Reductions in emissions will consider sector decarbonization trajectories aligned with credible science-based decarbonization pathways and/or the EU Taxonomy.

Integrate in our investment processes

Climate change considerations are integrated, where material, across the investment lifecycle, in seeking opportunities, due diligence and asset management. Our due diligence processes include assessing resiliency to physical climate factors, lifecycle analysis of emissions and stress-testing low-carbon transition scenarios. Additionally, we assess our portfolio carbon footprint annually and work with portfolio companies to improve the accuracy of this measure.

Engage companies

We are active owners with our private assets and contribute our expertise to help companies plan and execute their transitions to a net-zero future. In 2021, we set a target to align the portfolio companies in which we have significant stakes (minority or control) with a credible plan to achieve net zero by 2050, or what we're calling a "Paris Aligned Reduction Target" (PART). We engage with public companies to encourage them to provide relevant disclosures on their climate risk exposures and how climate change is factored into their corporate strategy. Ontario Teachers' has endorsed and supported the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since their release in 2017. In line with this support, we prioritize TCFD adoption in our engagements with public companies and are a member of the Climate Action 100+ global collaboration.

Ontario Teachers' believes that engaging with portfolio companies is more likely to influence positive changes than divesting from investments. There may be instances where Ontario Teachers' refrains from investing in sectors or companies presenting heightened ESG risks. Considerations

include international treaties and conventions, the degree of societal or environmental harm and the company's or sector's willingness or ability to address the harm, as well as company-specific risks that cannot be addressed through engagement with the company. Our approach to exclusions is outlined in our [Responsible Investing Guidelines](#), available on the Ontario Teachers' website.

Influence industry

We use our influence with industry to promote disclosure initiatives, such as the International Sustainability Standards Board (ISSB), the Sustainability Accounting Standards Board (SASB) Standards and the TCFD, and with policymakers and regulators to encourage the establishment of long-term climate-related policy to help reduce uncertainty and improve transparency on risks.

We have also adopted the TCFD recommendations for our own reporting to stakeholders on how we manage climate change opportunities and risks. Please refer to our [annual reporting](#), including our responsible investing and climate change reports, for more details on our climate change approach.

Evolve our approach

As understanding of climate change-related opportunities and risks evolves, tools and processes may need to be developed or modified. Ontario Teachers' devotes efforts to continuous education on ESG issues across the organization, including our board and sponsors. This involves bringing in external speakers to discuss evolving ESG risks, opportunities and practices; conferring and collaborating with peers; and participating in external forums, roundtables and conferences to build knowledge and inform strategy.



Green Bond Framework

OTPPB's Green Bond Framework (Framework) aligns with its Green Investment Principles. The most recent Framework, adopted in November 2023, aligns with the 2021 International Capital Market Association (ICMA) Green Bond Principles and will guide any green bonds issued by OTFT¹. The Framework has been prepared in accordance with the four core components of the ICMA Green Bond Principles²: (I) use of proceeds; (II) process for asset evaluation and selection; (III) management of proceeds; and (IV) reporting.

I. Use of Proceeds

The Eligibility Criteria identify Eligible Green Assets aligned with Ontario Teachers' Green Investment Principles and the ICMA Green Bond Principles. An amount equivalent to the net proceeds of the sale of the Green Bonds will be allocated to finance or refinance (in whole or in part) Eligible Green Assets, in the eligible categories listed in the table that follows, via equity participation or debt investments³. Eligible Green Assets include existing investments made up to 36 months prior to the issuance date of any Green Bond as well as new investments made after issuance.

OTPPB defines Eligible Green Assets as investments in businesses that align with OTPPB's Green Investment Principles and derive all, or substantially all, of their revenue from eligible activities.

For clarity, any investment that increases the use of fossil fuels would not support a transition to a low-carbon economy and would not be a green investment under our principles. The potential lock-in effects of fossil fuel-based assets are considered in the due diligence process of assessing Eligible Green Assets. Our expectation of significant reductions in emissions will consider sector decarbonization trajectories aligned with credible science-based decarbonization pathways and/or the EU Taxonomy. Eligibility Criteria, including eligible activities, are defined in the table that follows.



¹ Debt issuances by OTFT are fully and unconditionally guaranteed by OTPPB.

² ICMA Green Bond Principles, June 2021: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

³ Debt investments will be made via direct lending.

Enable net-zero transition



Green Investment Principles Category	ICMA Green Bond Principles Category	Eligible Green Asset
<p>Products or services that replace direct fossil-fuel use</p> <div data-bbox="121 688 240 806"> </div> <div data-bbox="251 688 370 806"> </div>	<p>Renewable energy</p>	<p>Generation, transmission and distribution of renewables (e.g., wind, solar, geothermal, marine, bioenergy, hydro, green hydrogen and renewable natural gas, the lifecycle impacts of which are 100 gCO₂/kWh or less)</p> <p>Biomass projects restricted to sustainable feedstocks that, at a minimum, are certified by the Forest Stewardship Council (FSC), the Sustainable Biomass Program, Green Gold Label, or an equivalent third-party standard, as well as waste sources that do not compete with food products or contribute to deforestation, such as palm oil</p> <p>Hydropower projects that meet at least one of the following criteria: (I) run-of-river without artificial reservoir; (II) power density greater than 5 W/m²; or (III) lifecycle GHG emissions intensity below 100 gCO₂e/kWh</p>
<p>Technologies or infrastructure to facilitate low-carbon solutions</p> <div data-bbox="121 1192 240 1310"> </div> <div data-bbox="251 1192 370 1310"> </div> <div data-bbox="121 1325 240 1442"> </div>	<p>Renewable energy</p> <hr/> <p>Clean transportation</p>	<p>Equipment to enable the generation, development and integration of renewables, noted above (e.g., sensors, communications and controls, microgrids)</p> <hr/> <p>Fundamental infrastructure for deployment of zero direct emissions vehicles (e.g., mass public transportation, electrification of rail infrastructure, electric vehicle charging stations)</p> <p>Zero-carbon transport assets (e.g., electric or other clean energy vehicles)</p>

Reduce net GHG emissions



Green Investment Principles Category	ICMA Green Bond Principles Category	Eligible Green Asset
<p>Products or services that significantly reduce emissions</p> <div data-bbox="121 716 370 968"> </div>	<p>Energy efficiency</p> <hr/> <p>Energy efficiency</p> <hr/> <p>Energy efficiency</p> <hr/> <p>Green buildings¹</p>	<p>Technologies, products or systems that improve energy efficiency and consider sector decarbonization trajectories aligned with credible science-based decarbonization pathways and/or the EU Taxonomy and that consider lock-in and rebound effects (e.g., district heating and cooling technologies based on deep lake cooling or other zero-emission sources)</p> <p>Projects in heavily emissions-intensive industries, such as cement and steel, are excluded</p> <hr/> <p>Investments that improve efficiency in the delivery of bulk energy services and consider sector decarbonization trajectories aligned with credible science-based decarbonization pathways and/or the EU Taxonomy and that consider lock-in and rebound effects (e.g., smart grids, power grid stabilization)</p> <hr/> <p>Investments to monitor and/or optimize energy consumption and that consider sector decarbonization trajectories aligned with credible science-based decarbonization pathways and/or the EU Taxonomy as well as lock-in and rebound effects (e.g., energy storage, sub-metering, load control systems, sensors)</p> <hr/> <p>New or existing commercial or residential buildings that achieve ENERGY STAR² certification and are verified by third-party green building standards (e.g., LEED: Platinum, Gold; BOMA BEST: Platinum, Gold; BREEAM: Excellent or Outstanding; or equivalent certification schemes)</p>
<p>Products or services that remove/store carbon</p> <div data-bbox="121 1577 370 1696"> </div>	<p>Pollution prevention and control</p>	<p>Activities that demonstrate considerable sequestration of GHG emissions (e.g., carbon sequestration technologies or products, direct air capture and removal of carbon)</p>

¹ It is not expected that the buildings and other properties managed by Cadillac Fairview and held in the Ontario Teachers' Cadillac Fairview Properties Trust (OT-CFPT) will be included in Ontario Teachers' Eligible Green Assets.

² ENERGY STAR certified buildings must deliver energy and emissions savings in the top quartile of similar buildings nationwide.

Build a sustainable economy



Green Investment Principles Category	ICMA Green Bond Principles Category	Eligible Green Asset
<p>Products or services that help to adapt to climate change impacts</p> 	<p>Climate change adaptation</p>	<p>Projects to support climate change adaptation, including information support systems (e.g., climate observation, early warning systems)</p>
<p>Products or services that preserve or conserve scarce resources</p>    	<p>Sustainable water and wastewater management</p>	<p>Projects that reduce water consumption or improve the efficiency of resources and result in a substantial reduction in water leakage, as well as emissions efficiency improvements, and that consider sector decarbonization trajectories aligned with credible science-based decarbonization pathways and/or the EU Taxonomy as well as lock-in and rebound effects (e.g., collection, treatment, recycling or reuse of water, rainwater or wastewater, water distribution). Where anaerobic digestion systems are used, plants should be designed to capture, scrub, dry and use waste as a source of power.</p> <p>Note: The energy source and CO₂ emissions of wastewater management facilities are considered.</p>
	<p>Natural resources and land use</p>	<p>Activities that contribute to sustainable management of natural resources and land use (e.g., certified sustainable timberland (focused on providing timber) and agriculture (focused on permanent crop), biological crop protection, drip irrigation)</p> <p>The following lists the certifications that we would consider:</p> <ul style="list-style-type: none"> • Forest Stewardship Council • Sustainable Forestry Initiative • Responsible Wood • Programme for the Endorsement of Forest Certification • Leading Harvest • California Certified Organic Farmers <p>Eligible projects may also include activities that contribute to sustainable agricultural land management, demonstrating significant carbon sequestration, reduction in emissions and/or compatibility with low-carbon agriculture targets.</p>

Build a sustainable economy (cont'd)



Green Investment Principles Category	ICMA Green Bond Principles Category	Eligible Green Asset
	Pollution prevention and control	Projects that reduce and manage emissions and waste generated (e.g., recycling (metals, plastic and paper) plants, waste diversion, soil remediation)
	Pollution prevention and control	Separate collection, transport, and >50% recovery of non-hazardous waste from landfill diversion
	Circular economy	Solutions that extend product life, significantly improve resource use, reduce waste and pollution, are designed to be fully recyclable or composted, and innovative technologies that enable circular business models (e.g., substitution of virgin raw materials in the production of resource-efficient packaging and products that are entirely or nearly entirely (>90%) produced with recycled content that prevents the use of raw materials)
	Terrestrial and aquatic biodiversity	Projects that focus on the conservation of terrestrial and aquatic resources, including the protection of coastal, marine and watershed environments, by safeguarding and/or developing protected terrestrial and marine areas and systems (e.g., regenerative agriculture that seeks to increase biodiversity, forestry projects that seek to promote biologically diverse systems)

II. Process for Asset Evaluation and Selection

In our search for investment and value creation opportunities with our portfolio companies, investment teams will identify and propose Eligible Green Assets. All assets proposed as Eligible Green Assets will be subject to review for consistency with Ontario Teachers' Green Investment Principles and existing environmental, social and governance expectations, and will consider sector decarbonization trajectories aligned with credible science-based decarbonization pathways and/or the EU Taxonomy, the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. ESG considerations are integrated, alongside other factors in the Ontario Teachers' investment process, to manage risk and add value at all stages of the investment lifecycle. On a lifecycle basis, we will require GHG emissions-reductions achievement versus GHG emissions that would be generated in the absence of the investment.

The Process for Asset Evaluation and Selection is specific to each Green Bond issuance in order to ensure that the Eligible Green Assets meet the Eligibility Criteria in the stated Use of Proceeds. To support this process, OTPPB and OTFT will maintain a Green Bond

Council (the GBC). The GBC will be comprised of representatives of OTPPB selected from its Treasury, Sustainable Investing team, various investing departments, as well as a representative of OTFT. It will be chaired by the Head of Treasury.

The GBC will be responsible for:

- Confirming the alignment of Eligible Green Assets with the Eligibility Criteria, and selecting the assets to be included in the Green Bond Register (described in the next section);
- Managing the Green Bond Register over the lifetime of Green Bond issuances to ensure that an amount equal to the net proceeds of all outstanding Green Bonds is used solely for the financing and refinancing of Eligible Green Assets as defined in the Use of Proceeds; and
- Monitoring developments in the wider Green Bond market as well as Ontario Teachers' wider sustainable investment strategy and updating this Framework and the Eligibility Criteria accordingly.

III. Management of Proceeds

The list of Eligible Green Assets across Ontario Teachers' investment portfolios and Green Bonds that have been issued by OTFT under this Framework will be tracked by the GBC through a Green Bond Register.

The GBC meets semi-annually to review the Green Bond Register and Eligible Green Assets are assessed on an annual basis, at a minimum, to ensure that they continue to meet the Eligibility Criteria, as defined in "Use of Proceeds" above. Any assets that are sold, terminated, or no longer meet eligibility criteria will be removed from the Green Bond Register.

It is OTPPB and OTFT's intention to maintain, directly or indirectly, an aggregate amount of Eligible Green Assets that is at least equal to the aggregate net proceeds of all Green Bond issuances that are concurrently outstanding under this Framework. However, there may be periods when a sufficient aggregate amount of Eligible Green Assets has not yet been allocated to fully cover an amount equal to the net proceeds of all outstanding Green Bonds, either as the result of changes in the composition of the Eligible Green Assets or the issuance of additional Green Bonds by OTFT under this Framework. Any portion of the net proceeds of a Green Bond issuance that has not been allocated to Eligible Green Assets will be used in accordance with the normal liquidity activities of OTFT.

IV. Reporting

On an annual basis, as long as there are outstanding Green Bonds, OTFT will publish a Green Bond Report on the Ontario Teachers' website, including disclosure on both allocation and impact.

Allocation reporting

The report will include a list of outstanding Green Bond issuances by OTFT under this Framework, including issuance date, size, maturity date, currency and format.

The report will include disclosure on the portfolio of outstanding Eligible Green Assets within the Green Bond Register, including:

- Assets by ICMA Green Bond Principles category;
- Assets by geography, where feasible; and
- Case studies on assets that are being financed.

Impact reporting

The report will include qualitative and quantitative environmental performance indicators on the Eligible Green Assets, reported at the category level. However, it may not always be feasible to report on all indicators for each category (e.g., in cases where systems are not in place or an asset is still in the development phase). We will not allocate proceeds to an Eligible Green Asset if we do not have at least one indicator to report on. While assets may qualify for more than one category, allocation will be to the category that is most relevant to the type of business of the Eligible Green Asset. Below are examples of impact measures that may be reported depending on the Eligible Green Asset.

ICMA Green Bond Principles Category	Potential Quantitative Performance Measures
Renewable energy	<ul style="list-style-type: none"> • Annual GHG emissions avoided (tCO₂e) • Total installed capacity (MW) • Annual renewable energy generation
Energy efficiency	<ul style="list-style-type: none"> • Annual GHG emissions avoided (tCO₂e) • Expected energy savings per year (MWh)
Natural resources and land use	<ul style="list-style-type: none"> • Total surface financed (hectares) • GHG emissions absorbed
Clean transportation	<ul style="list-style-type: none"> • Annual GHG emissions avoided (tCO₂e) • New clean transportation infrastructure built (km)
Water and wastewater management	<ul style="list-style-type: none"> • Annual volume of water saved/treated (m³) • Total population served by the system
Green buildings	<ul style="list-style-type: none"> • Annual GHG emissions avoided (tCO₂e) • Expected energy savings per year (MWh) • Annual water use and waste avoided (or recycled) (m³ or tonnes) • Floor space of green real estate (m²)
Pollution prevention and control	<ul style="list-style-type: none"> • Annual GHG emissions avoided (tCO₂e) • Absolute or % reduction in local pollutants • Waste diverted from landfill (tonnes)
Circular economy	<ul style="list-style-type: none"> • Avoided resource waste (m³ or tonnes) • Materials sourced sustainably or recycled (tonnes) • Absolute or % reduction in local pollutants
Terrestrial and aquatic biodiversity	<ul style="list-style-type: none"> • Area farmed using regenerative practices (hectares) • Annual GHG emissions avoided (tCO₂e) • Percentage of procurement of raw materials certified by environmental or ethical certification organizations (or volume – tonnes) • Number of hectares of natural landscapes protected, preserved and restored • Irrigation water saved (m³)

V. External Review

Ontario Teachers' has obtained an independent Second-Party Opinion from S&P Global Ratings on its Green Bond Framework, which will be published on Ontario Teachers' website.

On an annual basis and as long as there are Green Bonds outstanding, Ontario Teachers' will obtain an independent external review of the Eligible Green

Assets' compliance with the Framework, the allocation of net proceeds and, where feasible, impact reporting. OTFT will publish this External Review alongside the Green Bond Report on the Ontario Teachers' website. In the unlikely event that the external verification finds assets that do not comply with the criteria described in "Use of Proceeds" above, the GBC will remove these assets from the Green Bond Register.

VI. Amendments to This Framework

The GBC will review this Framework on a regular basis, including its alignment to updated versions of the ICMA Green Bond Principles. Such review may result in this Framework being updated and amended. The updates will be subject to a review by a qualified independent external reviewer. Any future updated version of this Framework that may exist will either

maintain or improve the current levels of transparency and reporting disclosure requirements, including the corresponding review by the external reviewer. The updated Framework, if any, will be published on Ontario Teachers' website.

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