

Aligning our portfolio with the global path to net zero

Climate Change Strategy

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October 2022



Message from the Chair and Vice-Chair

Climate change represents an immediate threat we cannot afford to ignore. The global drive to address climate change presents risks to be managed while also providing unique opportunities for asset owners like OPTrust.

Ensuring we have the right climate change strategy in place to navigate this journey is critical to ensuring the long-term sustainability of the OPSEU Pension Plan.

The Board of Trustees worked with management to advance our climate change strategy and develop a clear plan and ambition to build a resilient portfolio aligned with the global economy's path towards net zero.

Recognizing the complexities of a global transition to a greener economy, a central tenet of OPTrust's climate change strategy is to anticipate change and evolve.

Our work will continue to ensure the organization delivers on its mission, while seizing unprecedented opportunities for innovation, ingenuity and collaboration.

A handwritten signature in black ink, appearing to read "Sharon Pel".

Sharon Pel
Chair

A handwritten signature in black ink, appearing to read "Lindsey Burzese".

Lindsey Burzese
Vice-Chair

Our Ambition

To successfully navigate the global transition towards net zero, this strategy is designed to:



- **Achieve a net-zero portfolio by 2050** to manage the risks and seize the opportunities of a transitioning global economy
- **Build resiliency and adaptability** within our portfolio and organization to an increasingly volatile climate
- **Take a dynamic approach to implementation,** evolving our strategy and targets as the world's path to a lower-carbon future emerges





Message from the President and CEO



Asset owners worldwide face uncharted territory as the economy advances towards a critical transition across industries and sectors. Every organization must play a role in advancing global progress, including OPTrust.

As the world grapples with the growing challenge of climate change, investing sustainably for the long-term health of our pension plan demands addressing climate sustainability.

Our climate change strategy commits to a net-zero portfolio by 2050 and to building the foundation that enables us to embed climate considerations into the way we invest – a commitment we make to our members' pension security.

Peter Lindley
President and Chief Executive Officer

Climate Change Beliefs

The following climate change beliefs guide our decision-making and the implementation and evolution of our climate change strategy.



1

WE RECOGNIZE ADDRESSING PLAN SUSTAINABILITY REQUIRES ADDRESSING CLIMATE SUSTAINABILITY

As the global economy transitions to net zero, integrating climate considerations into our investment and risk-management approach across all asset classes will be integral to delivering the returns necessary to preserve plan sustainability.

2

WE MUST ANTICIPATE CHANGE AND EVOLVE

The global transition will be complex and our understanding of climate change's impact on financial markets will evolve with experience and improved data. We must take a proactive approach to best mitigate risk and capture investment opportunities, adopt a learning mindset and evolve together as an organization.

3

WE WILL FIND OPPORTUNITIES ACROSS TRANSITION PATHWAYS

Certain industries will address climate change and transition quicker than others. We may seize opportunities to support these transitions to capture value over the long term.

4

WE ARE ACTIVE OWNERS AND WILL ENGAGE WITH COMPANIES AND IN INVESTOR COLLABORATIONS TO ADDRESS CLIMATE RISKS AND OPPORTUNITIES

In addition to continuing to execute our governance rights in our portfolio companies, we will contribute to, and benefit from, being involved in targeted global initiatives and collaborative investor engagements – aspiring to meet and exceed global standards.

5

WE WILL BE TRANSPARENT TO PRESERVE THE TRUST OF OUR MEMBERS AND STAKEHOLDERS

We will be transparent as we evolve with changing practices in climate disclosure and reporting as part of the commitment to our members and other stakeholders.



Message from the Chief Investment Officer

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Our climate change strategy outlines a clear ambition and approach to align our portfolio with the global path to net zero.

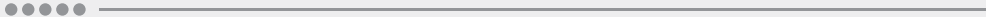
As a long-term investor, we aim to understand and mitigate emerging risks, including from climate change, as well as recognize and harness opportunities that come along with the transition to a greener economy.

With this climate change strategy in place, we will continue to focus on enhancing our portfolio's resiliency across asset classes now and into the future.

James Davis
Chief Investment Officer

Climate Change Strategy

Our climate change strategy has four pillars designed to embed climate considerations across our portfolio and into our actions as a pension fund.



INVESTMENT STRATEGY AND SELECTION



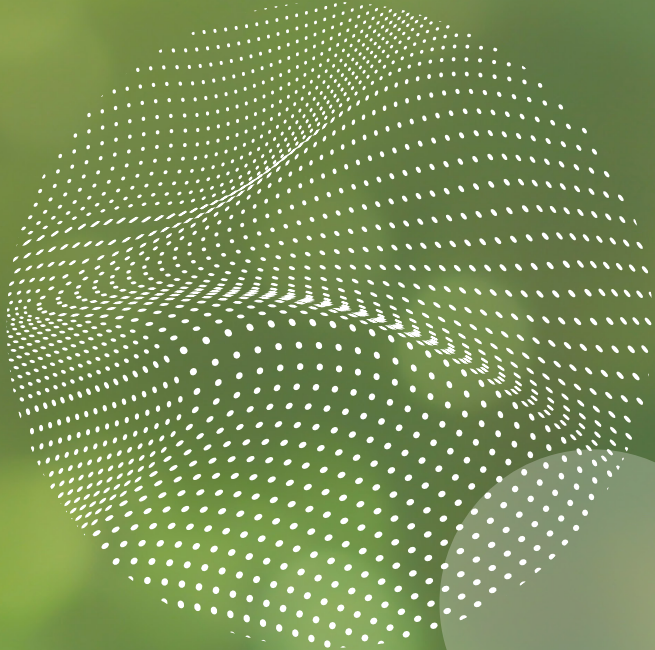
ASSET MANAGEMENT



PORTFOLIO ANALYTICS



ADVOCACY AND DISCLOSURE



Aligning OPTrust with the Global Path to Net Zero

Each pillar is supported by a set of commitments to drive progress towards our ambition.



INVESTMENT STRATEGY AND SELECTION

- **Asset class diligence:** Integrate climate considerations into due diligence and valuations
- **Portfolio construction:** Stress-test portfolio using climate scenarios
- **Allocations:** Develop climate-related taxonomy to track asset allocations and understand implications for investment strategies



ASSET MANAGEMENT

- **Stewardship:** Establish stewardship plans for our highest-risk assets and strategies
- **Reporting and monitoring:** Integrate climate change into portfolio reporting
- **Corporate engagement and proxy programs:** Maintain and enhance corporate engagement and proxy programs



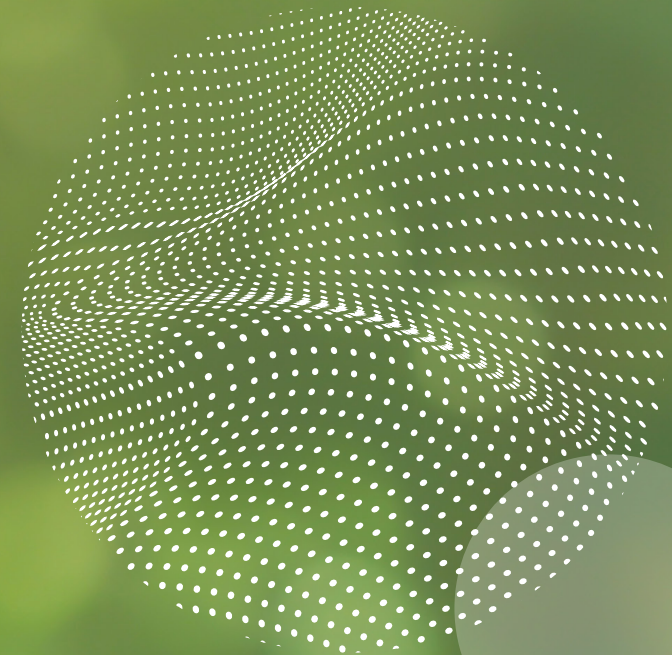
PORTFOLIO ANALYTICS

- **Risk assessment:** Identify sources of high climate risk across asset classes and strategies
- **Metrics and targets:** Identify relevant metrics to track exposure to climate risks and opportunities and set appropriate targets to manage exposures over time



ADVOCACY AND DISCLOSURE

- **Investor collaborations/consultations:** Contribute to investor initiatives that advance policy conversations in Canada or elsewhere
- **Disclosure:** Enhance internal and external climate reporting



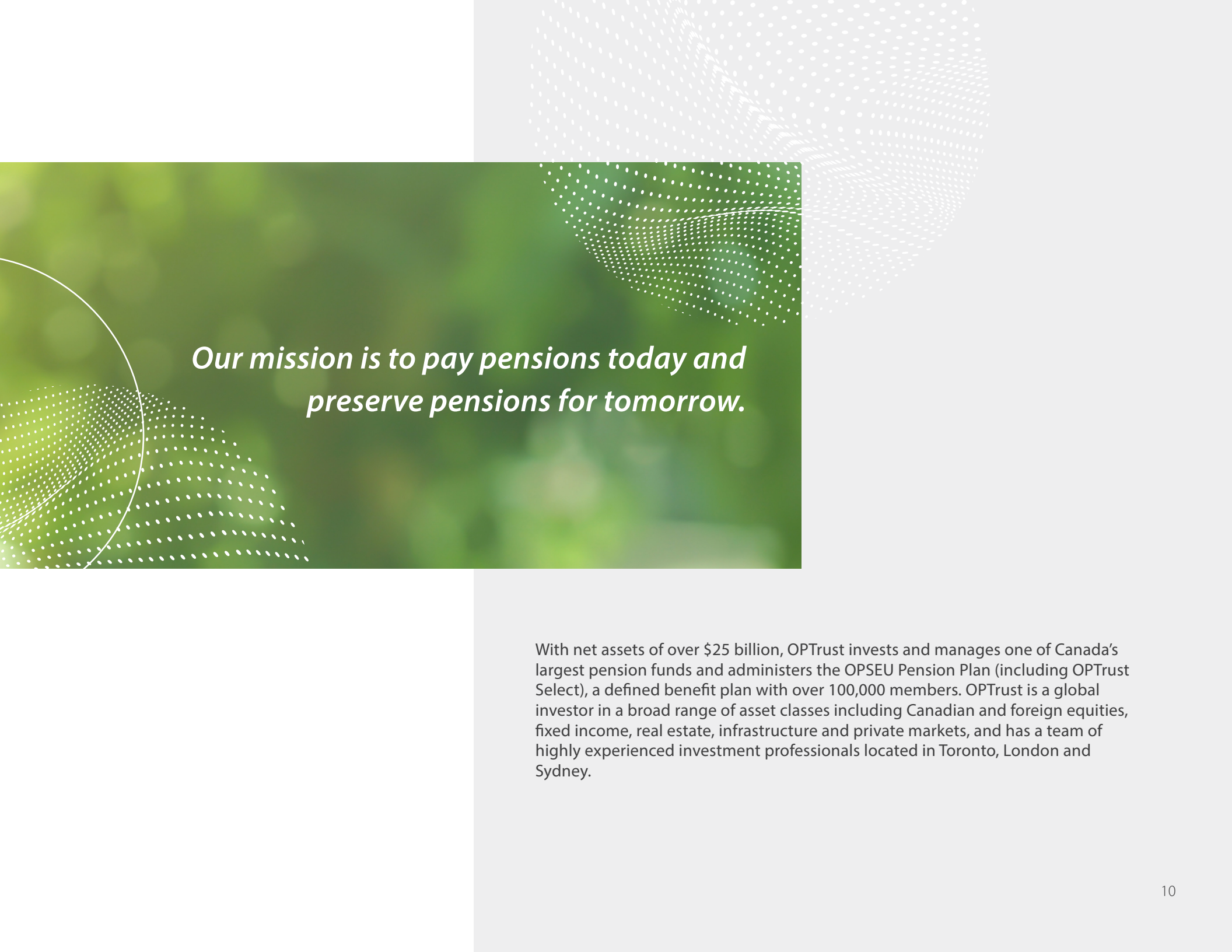
2022 – 23 Priorities

Building on OPTrust's strong responsible investing program, our upcoming focus will be on enhancing systems, data and processes to support the implementation of our climate change strategy.



- Update climate scenarios and examine any implications for our top-down and bottom-up investment approach. Read our latest [**climate scenario analysis report**](#).
- Launch climate due diligence frameworks for use by investment teams across all asset classes.
- Implement stewardship plans to advance the transition of our high-risk assets.
- Collect baseline data on climate metrics for our portfolio and establish a framework to set appropriate, relevant targets for OPTrust.
- Continue to join global peers in advocating for progress on climate policies.
- Continue to report on our progress, including through our [**Funded Status Report**](#) and [**Task Force on Climate-related Financial Disclosures**](#).





*Our mission is to pay pensions today and
preserve pensions for tomorrow.*

With net assets of over \$25 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan (including OPTrust Select), a defined benefit plan with over 100,000 members. OPTrust is a global investor in a broad range of asset classes including Canadian and foreign equities, fixed income, real estate, infrastructure and private markets, and has a team of highly experienced investment professionals located in Toronto, London and Sydney.

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