



# 2024 RESPONSIBLE INVESTING REPORT



Responsible investing (RI) is core to how we invest at OPTrust, rooted in the recognition that environmental, social and governance (ESG) factors can materially impact investment risk, returns, our reputation and ultimately our ability to provide pension security for our members.

Every OPTrust investment professional is accountable for understanding and managing ESG risks and opportunities in their investment decision-making at all points of the investment lifecycle, from screening and due diligence to monitoring and stewardship. Our RI approach enables more informed investing that positions the Fund for success over the long term and supports the fulfilment of our fiduciary duty to our members.

OPTrust has a long-standing commitment to RI, and we are dedicated to continual improvement of our program. Recently, we have focused on developing more systematic, strategic and data-driven RI practices through initiatives such as robust ESG due diligence frameworks, cross-fund measurement of ESG indicators and the implementation of our climate change strategy. We are pleased to share updates in this report on our RI activities and achievements from the past year.

## 2024 Highlights



**Advanced our climate change strategy to strengthen the fund's resilience and net-zero alignment.**

See more in our [2023-24 TCFD report](#).



Published our [Asset owner's toolkit for advancing inclusion, diversity and equity in investment portfolios](#).



**Achieved an 11% emissions intensity reduction.**



**Voted at 882 company meetings in 30 countries.**



**Engaged 169 companies on key ESG issues.**



**Invested \$400 million in green bonds over the year.**



**Signed the 2024 Global Investor Statement to Governments on Climate Change.**

Continued to be an active voice in investor collaborative initiatives, including UNPRI's Private Equity Advisory Committee, Thinking Ahead Institute, Ceres and the International Centre for Pension Management.



## Responsible investing governance

Just as we advocate for good governance at our portfolio companies, we believe that robust internal governance supports fulfilment of our responsibilities to our members and stakeholders. Our internal RI governance framework contributes to long-term value creation and ensures that we continually elevate our ESG practices across the Fund.

**Board of Trustees:** The Board and its Investment Committee oversee Fund performance, including RI activities. The Board monitors progress on our RI and climate change strategies and annually reviews and approves the Statement of Responsible Investing Principles (SRIP) and Proxy Voting Guidelines.

**Chief Executive Officer (CEO) and Chief Investment Officer (CIO):** The Board has delegated responsibility for implementing the SRIP to the CEO. In turn, the CEO has delegated to the CIO responsibility for overseeing and advancing OPTrust's RI program. The CIO has delegated day-to-day implementation to the Sustainable Investing and Innovation (SII) team.

**Investment Division Management and Investment Committees:** The Investment Division's management team is responsible for managing ESG-related risks that are taken in their portfolios, identifying ESG-related investment opportunities, adhering to the SRIP and working with the SII team to implement and strengthen the RI program over time. As part of the transaction approval process, all Investment Committees review, document and discuss prospective investments' ESG risks and opportunities.

**Responsible Investing Committee (RIC) and RI Leaders Group (RLG):** Implementation of our RI and climate change strategies at the management level is further supported by two committees:

- **Responsible Investing Committee:** The RIC provides strategic guidance for the RI and climate change programs and is comprised of the CIO and senior managing directors from all asset classes.
- **Responsible Investing Leaders Group:** The RLG advises on and executes projects to deliver on our RI and climate change objectives. The group includes representatives from SII, all asset classes and numerous corporate functional partners.

### Clean Canadian power: Firelight

OPTrust has been a dedicated investor in the renewable energy sector over the past two decades. In that time, we have significantly increased our infrastructure portfolio's allocation to renewables (currently approximately 30 per cent).

One of our flagship renewable assets is Firelight Infrastructure Partners. Formed in 2007 with OPTrust as the lead investor, Firelight's aim was to develop a Canadian renewable power platform, partnering with experienced developers to build and operate high-quality renewable energy projects. Firelight was an early mover in Canada's renewable energy landscape, with the buildout of its portfolio beginning in 2008. Since then, we have incrementally increased our investment in the platform to fund its growth of clean power projects in Canada, including the development in 2013-14 of what, at that time, were three of Canada's largest rooftop solar projects.

Firelight currently has 190 MW of wind and solar assets in Canada — including two wind assets in Nova Scotia and a portfolio of over 70 rooftop solar projects and nine ground mount solar assets in Ontario — providing renewable energy to local communities and supporting Canada's transition to a net-zero economy.



## Climate change strategy

With our multigenerational investment time horizon, we understand that investing sustainably for the long-term security of our Plan requires addressing climate change in our portfolio. Climate change represents a pervasive threat that demands urgent action, and we are committed to building a resilient portfolio aligned with the global economy's path towards net zero.

In 2022, we released an **enhanced climate change strategy** to guide our climate action journey and announced our ambition to achieve net-zero emissions in our portfolio. Our strategy strengthens our resiliency to climate risks and enables us to harness opportunities from the low-carbon transition by ensuring we embed climate considerations in the way we do business. We are progressing well on the strategy's implementation.

Read more about our climate change strategy and initiatives in our **2023-24 Task Force on Climate-Related Financial Disclosures report**.



### Highlights from the past year include:

#### Increasing our portfolio's resilience to climate change

Our updated climate scenario analysis results show that our investment portfolio is better poised to withstand shocks from climate change than it was three years ago.

#### Improving our carbon footprinting

We increased the scope of assets where we are able to measure financed emissions from around 40 per cent to over 70 per cent of the Fund (as of 2023 year-end), covering all assets with footprinting methodology and data availability. We achieved an 11 per cent reduction in carbon emissions intensity compared to 2022 and are targeting an additional 20 per cent reduction on our 2023 baseline by 2030, as we progress toward net zero by 2050.

#### Building out more tools to better understand climate risk and opportunity

We developed enhanced due diligence toolkits to more effectively manage our assets' exposure to climate-related risks and opportunities and designed a customized taxonomy for infrastructure and private equity assets that will allow us to better steward these assets for the low-carbon transition.

#### Advancing our risk management practices

We enhanced our climate risk governance by implementing a monitoring process that tracks various climate risk metrics across the portfolio.

## Active ownership and stewardship

Our responsible investing approach extends beyond evaluating ESG factors in buy and sell decisions. With our portfolio companies, we practice active ownership as a key lever for value creation and risk management, contributing to long-term investment success. We exercise our governance rights across our asset classes, whether through board representation in our private markets investments or proxy voting and corporate engagement in public equity, to achieve positive change at portfolio companies.

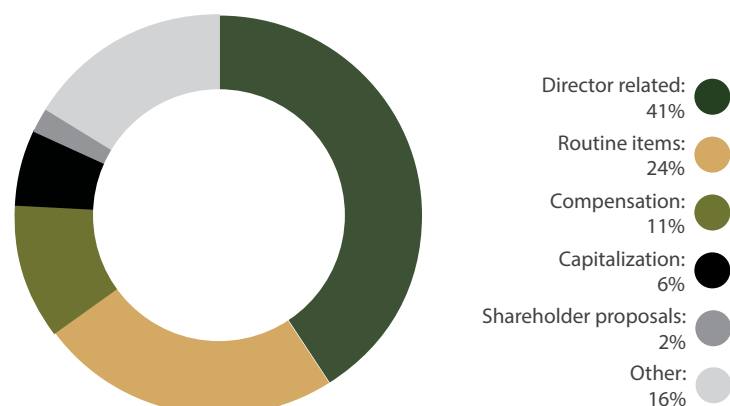
In 2024, OPTrust voted at **882 meetings** in **30 countries**:



## Proxy voting

We actively vote at all company meetings where we hold voting rights according to our Board-approved **Proxy Voting Guidelines**. Our voting activity promotes sound corporate governance practices at portfolio companies and holds them accountable for their performance.

OPTrust voted on **6,578 proposals** in the following categories:



OPTrust voted with management on **84%** of proposals, against on **16%**.

## Corporate engagement

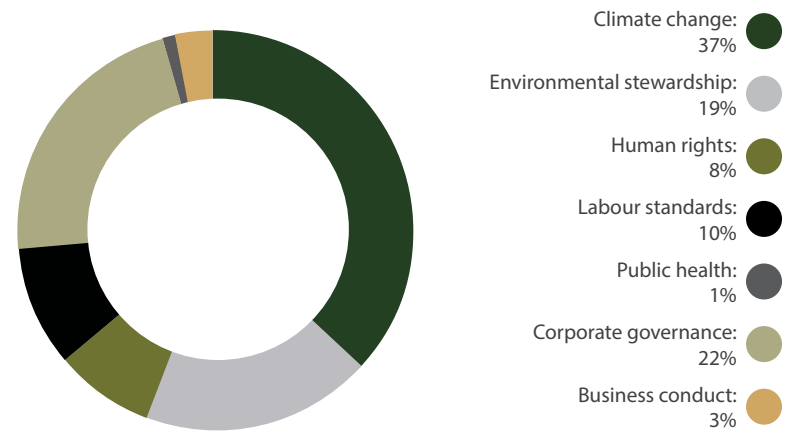
Corporate engagement is another important lever in our asset stewardship toolbox. We partner with our engagement provider and investor associations to engage in dialogue with boards and management teams and advocate for improvements on sustainability topics. These discussions between companies and active owners like OPTrust support alignment on long-term performance and help drive change across the capital markets, including the milestones listed below.

### 2024 engagement milestones:

- **Climate change:** Marriott set near-term emissions reduction targets for Scope 1, 2 and 3 emissions that are validated by the Science Based Targets initiative.
- **Environmental stewardship:** Following engagements around Cemex’s water and nature strategy, the company published freshwater withdrawal reduction targets in its 2023 annual report.
- **Corporate governance:** Sendas Distribuidora revised its remuneration structure, implementing a number of measures that enhance alignment with shareholders. These include the introduction of stock ownership guidelines for the CEO and increased weighting of long-term performance in the compensation structure.
- **Diversity and inclusion:** Novatek Microelectronics nominated three female directors to the board in April 2024, increasing its gender diversity ratio from 12.5 per cent to 37.5 per cent.
- **Labour practices:** Anta Sports signed on to the UN Global Compact’s Forward Faster Initiative for Living Wages, which requires working with contractors, supply chain partners and other key stakeholders to achieve living wages for all employees.

## Engagement thematic areas

169 companies engaged across 26 countries



## ESG data

ESG data plays an important role in responsible investing, but sourcing high quality and consistent data remains a challenge for all investors — including OPTrust — given our globally diversified and multi-asset portfolio. Progress requires engagement and leadership from asset owners like ourselves. We have taken an active role in supporting advancement in this area in our own portfolio and capital markets more broadly.

COMPAS (Capturing OPTrust’s Management and Progress Around Sustainability) is our internal cross-fund ESG data program, established to identify strengths and weaknesses in our management of ESG issues, strengthen investment decision-making over time and proactively respond to evolving stakeholder expectations around ESG disclosure. Building on our 2022 baseline, we conducted our second cycle of ESG data collection across the total fund as of 2023 year-end. Managers through our legal agreements. Alignment of our requirements sends a clear message to our investment partners reinforcing the importance of transparency on ESG performance to the asset owner community.



We are pleased to see progress on many of the metrics we are tracking, indicative of our positive influence as an asset owner and advancement of sustainability practices across the market. We are also able to initiate action plans to tackle areas of opportunity identified in the data. As we collect more years of data, we are sharpening our view of ESG risks and opportunities across our portfolios and are better able to benchmark performance.

## Collective leadership

Recognizing the importance of partnership with like-minded investors to move the investment industry forward, we are also active participants in collaborative investor initiatives on this topic:

- In 2024, we participated in the Canadian Sustainability Standard Board's (CSSB) consultation on their exposure drafts for Canadian sustainability disclosures, submitting an individual response and **a joint response** with many of our Canadian pension peers. We commended the development of rigorous and consistent ESG reporting standards for the Canadian market and called on the CSSB to maintain alignment with the globally recognized International Sustainability Standards Board's standards.
- We collaborated with Canadian pension peers on an initiative to standardize disclosure of ESG information from investment managers through our legal agreements. Alignment of our requirements sends a clear message to our investment partners reinforcing the importance of transparency on ESG performance to the asset owner community.
- We are a Limited Partner member of the ESG Data Convergence Initiative, which is driving standardization of ESG data in the private equity industry. We engage with our investment partners to encourage participation in the initiative. As uptake across our portfolio progresses, we look forward to using the data to better understand our partners' ESG outcomes and benchmark performance.

## COMPAS highlights:

- **90%+** of our external managers have an ESG policy
- **60%** of our external managers provide ESG reporting **(+6% since 2022)**
- **80%+** of our direct real estate assets hold sustainability certifications
- **80%+** of our direct private equity and infrastructure assets have an ESG policy

## Opportunities in sustainability

ESG issues are typically viewed as risks, but they can also present meaningful opportunities for investors. Notably, the low-carbon transition, marked by a fundamental shift in how energy is produced and consumed globally, is anticipated to require the largest capital outlay in recent history, creating compelling investment opportunities across asset classes and sectors. Our long-standing investments in renewable energy and sustainable real estate (totalling \$3.6 billion) are just two examples of how we have positioned our portfolio to align with this evolution.

In addition, since 2021 we have been investing in funds that are poised to reap long-term benefits from this global shift toward decarbonization. In this thematic investing strategy, we have cultivated a portfolio of funds that support a greener economy and reduce emissions through investments in novel technologies and sustainability solutions across diverse sectors, including energy, mobility and the circular economy. This strategy has yielded strong partnerships that provide valuable learning opportunities for OPTrust by providing insights into early-stage innovation and emerging sustainability themes that can be leveraged across our asset classes.

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## Connect with us



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