

# Our Climate Change Strategy in Action 2023



## Frequently Asked Questions

### 1. Will your climate change initiatives impact my pension?

Our climate change strategy is designed with one purpose in mind: to protect our pension promise over the long term. Our aim is to ensure the fund is stable, sustainable and grows over time – even in the face of climate impacts. Our climate strategy directly supports our overall investment strategy to help ensure the long-term sustainability of the OPSEU Pension Plan. Any and all investments we make are ultimately assessed against this yardstick.

While the value of the fund may fluctuate due to market volatility or short-term fluctuations in the value of our investments, the specific dollar amount you receive in retirement is based on a pre-defined formula.

In short, our climate strategy has no impact on the pension you receive, while aiming to grow and sustain the fund for generations of members to come.

### 2. Is OPTrust's approach to climate change similar to that of other pension investors?

In many ways OPTrust's approach is like other pension investors. We, like our pension peers, have conviction that investing sustainably for the long-term health of our pension plan demands addressing climate sustainability.

OPTrust's strategy is uniquely designed to fit our organization and investment portfolio. With nearly \$25 billion in assets, invested both in-house and by third-party managers across a diverse set of investment strategies, we must tailor our approach to our ownership structure and areas of influence. We are also cost-effective in our approach, in-line with our fiduciary duty.

Given these unique considerations, we focus our efforts on where we can have the most impact on our portfolio and actively seek out opportunities to collaborate with like-minded investors. We are proud of our track record as a leading innovator on climate among smaller and mid-size funds.

### 3. How are you participating in the global energy transition?

The global decarbonization journey is one that will present unprecedented opportunities across all asset classes, including traditional energy. OPTrust already has significant exposure to green and renewable-focused investments across all asset classes, which we intend to grow, while continuing to benefit from assets and industries in transition. Our focus will be on identifying those companies that are well-positioned to make or support the transition over time, and engaging with them to ensure they have clear transition plans and disclosure.

For higher-emitting companies across industries, OPTrust continues our active engagement, either collectively, directly or via our managers. For instance, through our external engagement partner OPTrust supported engagements with 287 companies on climate issues in 2022 and 181 companies as of Q2 2023. In our privately owned companies where we have a board seat, we work closely with management to address relevant climate priorities. We also engage via our external managers to share innovative practices across our portfolio and ensure our decarbonization objectives are clear.

#### 4. What is your fund's current carbon footprint? Do you look at all scopes of emission?

A carbon footprint measures the total amount of greenhouse gases generated by investments in a portfolio. Investors typically classify these emissions as Scope 1, Scope 2 or Scope 3. Scope 1 emissions are those directly emitted by a company, whereas Scope 2 and 3 are those that indirectly occur from a company's activities, such as electricity or services a company purchases.

For investors, a carbon footprint is a primary indicator of transition risk, including the risk that investments lose value as consumers choose greener options and the regulatory costs of emitting, including carbon taxes, increase. Carbon footprints for multi-asset class portfolios, including a large portion of externally managed investments, are complex and costly to determine.

To take a risk-conscious, cost-effective approach we've focused on measuring emissions for all investments in our portfolio where footprinting methodology has been established and where emissions data were available and of sufficient quality. This approach allows us to focus our efforts on the areas that matter most to plan sustainability – and where we can have the most impact.

As part of our climate strategy, we are continuing efforts to determine a more accurate, comprehensive footprint, as our metrics and reporting efforts evolve. In particular, as our data availability and quality improve, we plan to include Scope 3 emissions. Today, we have some Scope 3 emissions available for our portfolio as determined by third-party proxies but we are not yet confident in their quality.

You can read more about our footprint and methodology in our latest TCFD report (available [here](#)).

#### 5. Have you joined any global climate initiatives?

Collaboration with like-minded investors is a key part of our climate strategy. We are members of several important investor collaborations through which we are engaging proactively alongside like-minded investors with regulators and high-emitting companies and gaining access to education and networks of other asset owners. Examples include our work with the UNPRI, Ceres, Climate Action 100+, the Transition Pathway Initiative and SHARE.

We are also aligning our strategy to the Net Zero Investment Framework – a tool that supports investors globally to implement net-zero commitments and align with Paris goals – which is the recommended approach of the Paris Aligned Asset Owners initiative.

As OPTrust evaluates opportunities to join other initiatives we apply strict criteria to ensure they are aligned with our mandate, protect our ability to flexibly pursue our investment strategy on behalf of our members and offer a cost-effective opportunity to advance our climate targets.

#### 6. Does OPTrust use carbon credits?

OPTrust has used carbon offsets in the past to offset emissions in our operational footprint, and may do so in the future, as appropriate, in certain circumstances. With respect to our portfolio footprint, however, OPTrust's focus is on the management of climate risk and opportunity, which offsets do not address. This is consistent with positions taken by various net-zero alliances. We continue to monitor the carbon offset market and industry guidance to ensure our approach is aligned with evolving best practices.