OPTrust

2024-25 Task Force on Climate-related Financial Disclosures

Table of Contents

Executive Summary

Over the past year, the regulatory and policy landscape for climate-related disclosure has evolved considerably. New standards and guidelines are shaping how investors identify, assess and report on climate-related financial risks and opportunities. The intent and impact of these changes has varied. Some have provided greater clarity and consistency while others have introduced new expectations and complexities. In some cases, the evolution reflects a scaling back in ambition. At the same time, the continued physical and economic impacts of climate change highlight the ongoing urgency of effective risk management and the importance of sustained action across the investment community.

As a long-term investor, OPTrust remains steadfast in its commitment to addressing climate-related risks and opportunities in support of the long-term sustainability of the OPSEU Pension Plan (the Plan). Now more than halfway through the implementation of our **climate change strategy**,[1] launched in 2022, we continue to take a whole-of-organization approach that embeds climate considerations across all core functions that support the investment process of the OPSEU Pension Plan Trust Fund (the Fund). As we look ahead, this is a moment to **reflect on our progress** and plan for the next phase of our climate journey. While the global path to net zero remains uncertain, our approach is to drive meaningful progress by balancing ambition with pragmatism, always guided by our fiduciary duty to Plan members.

We remain committed to transparency and ongoing improvement, regularly reviewing our climate change strategy and disclosures to align with evolving regulatory requirements and industry best practices.

In the past year, since publishing our **2023-24 TCFD report**, we have further advanced the implementation of our climate change strategy by:

- Achieving **key stewardship and process targets** set for 2025.
- Delivering a **measurable reduction** in the Fund's carbon footprint.[2]
- Strengthening our **tools and analytics** to better assess climate-related risks and opportunities across all asset classes, including advancing the application of our climate taxonomy.
- Evaluating how insights from climate **scenario analysis** and asset–liability modelling can better support investment decision-making.
- Assessing our **readiness to report** under the new Canadian Sustainability Disclosure Standards (CSDS) and preparing for future alignment.
- Contributing to several **industry initiatives to advance best practices**, including the new Standards Board for Alternative Investments' (SBAI) guidance on carbon footprinting considerations in commodities investments, the UN's Principles for Responsible Investment's (UNPRI) guidance on value creation through sustainability in private markets and Climate Engagement Canada's work on transition planning in the Canadian corporate sector.

Our 2024-25 Disclosure

Governance

OPTrust's Board of Trustees (the Board) is responsible for the overall administration of the OPSEU Pension Plan (the Plan) and the investment of the OPSEU Pension Plan Trust Fund (the Fund). The Board, along with its Investment Committee (IC), oversees Fund performance and approves and receives regular updates on the implementation of OPTrust's investment policies, including annual review and approval of its responsible investment policies.

These policies encompass the Statement of Responsible Investing Principles (SRIP) and Proxy Voting Guidelines, which outline OPTrust's expectations of portfolio companies and external investment managers regarding climate change and other ESG information. Additionally, the Board approves and oversees the IC's implementation of OPTrust's climate change strategy, with regular reporting on:

- new initiatives or ongoing analyses
- insights from research with implications for our investment approach
- progress on strategy and metrics
- regulatory or policy changes and annual Fund disclosures

To strengthen the delivery of our climate change strategy and promote cross-organizational collaboration and accountability, climate priorities are embedded into the annual performance objectives of multiple departments that are responsible for supporting our investment function, and the achievement of these objectives influence compensation. Additionally, the strategy is integrated into OPTrust's five-year organizational strategic plan, overseen by the Board and executed under the leadership of the President and CEO.

The Board delegates responsibility for OPTrust's overall Responsible Investing (RI) program to the Chief Investment Officer (CIO), who oversees its implementation, including delivery of the Fund's climate change strategy. The CIO delegates the day-to-day development and implementation of both to the Sustainable Investing and Innovation (SII) team. In addition, responsibility for climate and broader ESG due diligence is delegated, through our Board-approved SRIP, to the investment deal teams for both directly managed investments and those managed by external partners,[3] which is scrutinized through management-led investment committees. For each new external investment, teams use climate due diligence criteria to assess a partner's approach and capabilities, and we engage with these partners to monitor progress, encourage alignment with industry best practices, and promote transparency on climate-related risks, opportunities and other relevant information. We also collaborate with peers to reinforce these expectations across the investment ecosystem.[4]

At the management level, implementation of our climate change strategy sits with two committees:

- **Governance and Responsible Investing Committee (GRIC):** Members include senior leaders from across the Investment Division (including real estate, private equity, infrastructure, public markets, portfolio strategy and SII), as well as senior leaders from other corporate functions that support our investment function, including Investment and Enterprise Risk, Legal, Finance, Communications and Public Affairs. The GRIC provides strategic perspectives and implementation guidance for OPTrust's RI program and climate change strategy.
- **Responsible Investing Leaders Group (RLG):** Members include representatives from all asset classes and from various corporate functions that support our investment function. RLG members identify, prioritize and execute projects to further our commitments under the climate change strategy and facilitate delivery of the annual departmental objectives mentioned above.

The SII team also provides regular updates (at least quarterly) to the Executive Team on departmental progress for key climate initiatives, and at least annually to the Board. The CEO and CIO also report to the Board regularly on major accomplishments throughout the year.

In addition, the 2024-25 Chair and two other Board members have completed the Institute of Corporate Directors' Board Oversight of Climate Change course. Several other Board members have undertaken other relevant climate or sustainability training or bring professional experience in environmental management, including one former Chair who currently works with the Ontario Ministry of the Environment, Conservation and Parks.

Strategy

The global transition towards a net-zero economy presents significant investment risks and opportunities across asset classes and industries. As countries, industries and companies chart their paths to reduce reliance on fossil fuels, the journey will be shaped by various factors, including consumer behaviour, regulatory shifts, technological advancements and actions taken by executives, policy makers and investors. While the specific risks and opportunities climate change poses may vary from investment to investment, overall risks remain consistent with those outlined in previous reports, including our **2021 TCFD report** (see pages 8-10).

Our climate change strategy is built on four core pillars, designed to bring a whole-of-organization perspective to how we tackle climate risk and opportunity in the portfolio. By integrating insights from our teams in risk, finance, investments, portfolio strategy and other key functions, we ensure that climate considerations are embedded across all aspects of our decision-making. This collaborative approach enables us to identify, assess and respond to climate-related risks and opportunities by leveraging the collective knowledge and capabilities across our organization. For an in-depth look at our strategy and the work we're advancing, see pages 5-8 in our **2023-24 TCFD report**.

Climate Change Strategy: Summary

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 risk across asset classes and strategies.
- **Metrics and targets:** Track exposure to climate risks and opportunities and use identified targets to manage exposures over time.

Advocacy and Disclosure

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

Given the progress we have made in implementing our climate change strategy, and as we look towards the next phase of our climate journey, our attention is focused on the following priority areas to ensure we are acting prudently and remain committed to the long-term financial sustainability of the Plan:

Bringing perspectives together

Over time, we have developed a range of tools and approaches — such as carbon footprinting, climate taxonomy, enhanced due diligence of transition and physical risks, and scenario analysis — to assess climate risk from multiple angles. Our near-term goal is to consolidate these diverse perspectives into a unified view of climate risk across the portfolio. By integrating these insights, we aim to improve our ability to monitor risks and opportunities to inform investment decision-making, ultimately strengthening our approach to climate management.

Refining our targets

Since launching our climate change strategy, we have set interim targets to guide our progress towards net zero by 2050. We continue to track our performance against these targets (see pages 18-19 in the **Metrics and Targets section** for a discussion on the achievement of targets set for 2025), recalibrating as needed to reflect improvements in data quality and changes in portfolio scope. As we approach the next phase, we are actively considering how to evolve these targets to maintain ambition and relevance.

Improving data quality

We recognize that robust data is essential for effective climate risk management. Over the past year, we have made significant strides in improving the quality and coverage of data on our exposure to transition and physical risks. This work supports the development of asset management plans that help us mitigate risks, especially around carbon exposure, and build resilience through targeted adaptation measures.

Advancing scenario analysis

Scenario analysis remains important to our strategy, informing both portfolio strategy and long-term planning. By modeling a range of climate futures, we can stress-test our portfolio and refine our approach to risk management, ensuring we are prepared for numerous possible outcomes.

Engaging with the industry

We remain committed to using our influence as an investor to promote stronger climate risk management practices across the financial sector, advocating for high-quality disclosures and effective climate governance. This focus is a cornerstone of OPTrust's RI program.[5]

Recent examples include working with the UNPRI to create guidance on integrating sustainability into value creation strategies for private assets, contributing to SBAI guidance on carbon footprinting considerations in commodities investments and participating in Climate Engagement Canada to support transition planning in the Canadian corporate sector.

We will continue to engage with policymakers to help clarify expectations and improve guidelines for market participants, supporting a more transparent and resilient financial system.

Advancing the Canadian transition

This year, we joined Climate Engagement Canada, a collaborative investor initiative that is driving engagement with significant Canadian emitters to push for decarbonization progression and improved management of material climate risks.

Alongside like-minded investors, we are advocating for robust oversight of climate considerations, clear and measurable emissions reduction roadmaps and targets and high-quality climate data disclosures, all to improve long-term performance in a decarbonizing global economy.

Staying nimble

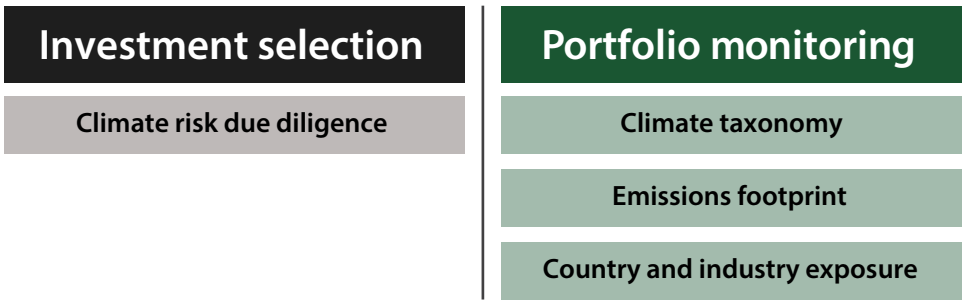
As a mid-sized investor, we recognize the importance of remaining practical and agile in our climate approach. We continuously adapt our methods and priorities to respond to evolving market expectations, regulatory developments and data availability. Our agility allows us to make timely adjustments, seize emerging opportunities and manage risks effectively, ensuring our strategy remains relevant and impactful in a dynamic environment.

We maintain our exposure to early-stage climate solutions through our incubation program, alongside long-standing commitments in real estate and infrastructure. For an overview of our investment portfolio from a climate perspective, see page 9 in our **2023-24 TCFD report**.

Risk Management

OPTrust's approach to risk management recognizes that effective stewardship includes both mitigating downside risks as well as identifying and capturing opportunities. In the context of climate change, this means actively assessing how energy transition dynamics, innovation and policy shifts may create value, as well as risk. We view opportunity recognition as an essential component of prudent, forward-looking fiduciary oversight and risk management.

Below is a summary of the climate tools we use across two stages of the investment life cycle:



Investment selection

Climate risk due diligence: Recognizing that climate change presents material financial risks and opportunities, we integrate climate considerations into our risk-diligence process for larger deals in relevant sectors, as well as into the risk-opinion memos that support investment committee discussions. This assessment builds on the due-diligence work carried out by deal teams. While analyzing sectoral considerations, we review company exposure to physical, policy and market-related risks and opportunities that help inform relevant asset-level mitigation strategies. This helps senior leadership identify businesses that are either readily making contributions to, or will play a vital role in, the transition to a net-zero economy.

Portfolio monitoring

To support our climate risk management efforts, we have developed a suite of tools designed to monitor climate-related exposures across both public and private assets. These tools enable us to track the evolving climate risk profile of each asset throughout its hold period, ensuring that our assessments reflect the most current and relevant information available.

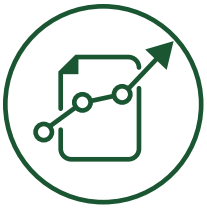
- **Climate taxonomy:** OPTrust is developing a bespoke classification system — a climate taxonomy — to systematically track climate-related risks and opportunities across all asset classes. This tool is designed to support climate-resilient investing by going beyond emissions data to incorporate policy trends, shifting market dynamics, and physical risks that may affect our portfolio companies and other holdings. In 2025, we conducted a comprehensive review of all of our direct private equity and infrastructure holdings to assess climate risk and opportunity at the asset level. Each asset was classified into taxonomy "buckets" based on its exposure to market, policy, and physical risk factors. Building on our existing climate metrics framework (see page 11 in the **Metrics and Targets section**), this approach enhances our understanding of climate risk and opportunity and informs our stewardship efforts, including the development of forward-looking action plans focused on mitigation and adaptation, where appropriate. The taxonomy framework will be extended to additional asset classes in the coming year.

- **Emissions footprint:** Emissions footprinting is the industry-accepted metric for assessing transition risk across the portfolio. By quantifying financed emissions at the asset, sector and portfolio levels, we can identify carbon-intensive exposures that may be vulnerable to policy shifts, market dynamics, or technological disruption in a low-carbon transition. This data enables proactive risk management by allowing us to set future targets for emissions exposure, monitor progress over time, and adjust investment strategies to support portfolio decarbonization and alignment with net-zero pathways, where feasible. For discussion on OPTrust's carbon footprint for 2024, see page 15 in the **Metrics and Targets section**.
- **Country and industry exposure:** From a top-down perspective, OPTrust considers both country and sector allocation across the total fund to understand exposures to climate risks and opportunities. Country exposures are analyzed based on two dimensions: vulnerability to climate disruptions (e.g. adverse weather events) and readiness (i.e. the ability to leverage private and public investment for adaptive actions to mobilize public and private investment for adaptive actions). Sector-level exposures are assessed according to the relative carbon intensity of the relevant sub-industries. This approach enables us to better understand and track exposure to high-risk geographies and sectors across the portfolio. Over time, this data can be used to define risk limits, identify opportunities, inform strategic asset allocation decisions, and guide engagement and stewardship efforts aimed at mitigating climate-related risks. For more information on the methodology, see page 10 in our **2023-24 TCFD report**.

Enhancing capabilities

OPTrust continues to strengthen its approach to climate risk management by deepening its understanding of physical risks and potential mitigants, and integrating diverse risk perspectives. In 2025, we engaged with several data providers to assess the evolving landscape of physical risk metrics and methodologies. This work led to a more refined approach focused on two key dimensions: the likelihood of exposure to severe weather hazards and the estimated financial impact of such events. Looking ahead, a more fulsome integration of criteria — such as various warming pathways, investment hold periods, and the treatment of assets that span large areas, such as roads and railways — will be essential to building a more comprehensive view of physical risk across the portfolio.

In parallel, as noted in the strategy section, OPTrust is working to consolidate climate risk measures across teams and investment strategies into more centralized reporting. This effort will support continuous improvement in how we monitor, assess and mitigate climate-related risks, ensuring that our portfolio remains resilient and aligned with long-term sustainability objectives.



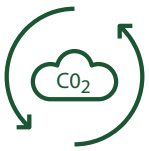
Metrics and Targets

OPTrust's climate metrics framework

Climate metrics and targets are important tools for investors to measure and manage climate-related risks and opportunities in portfolios. In 2023, we developed a bespoke, bottom-up **metrics framework** to systematically track a range of climate considerations across the Fund.

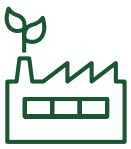
Carbon footprint remains the industry's primary and most standardized measure of climate transition risk, but we recognize that it does not capture the full complexity of risk exposure and associated management. Accordingly, our metrics framework covers a broader range of indicators that track different dimensions of climate risk or opportunity, as well as our maturity in enhancing our investments' climate resiliency.

This set of metrics provides a comprehensive view of material climate factors, enabling us to measure progress over time and classify climate information in a way that supports informed decision-making. A subset of these metrics is sufficiently mature and consistent to be disclosed in this report.



Carbon Exposure

Calculating the portfolio's greenhouse gas (GHG) footprint to understand exposure to transition risks.



Climate Exposure

Tracking allocations to high-risk sectors and geographies (e.g. oil and gas, flood-prone regions, etc.).

Stewardship

Tracking engagement activities with companies and external managers to promote their climate resiliency.

Solution

Tracking capital allocations that support climate mitigation/ adaptation efforts (e.g. renewables, green bonds, etc.).

Process

Tracking efforts to improve data coverage and quality across the portfolio.

OPTrust's net-zero portfolio journey

2022

- In our new climate change strategy, we set our foundational ambition to achieve a net-zero emissions portfolio by 2050.
- By aligning our portfolio with the Paris Agreement's objective, we aim to strengthen the resilience of our Fund through a transitioning global economy.

2023

- To begin tracking our progress towards net zero, we completed our first cross-Fund carbon footprint on our end-of-year 2022 portfolio.
- We also set an interim emissions intensity reduction target of 30% by 2030, along with supporting stewardship and process targets for 2025.

2024

- We conducted our second carbon footprint on our end-of-year 2023 portfolio, with improved data quality and greater coverage of our assets to obtain a more accurate footprint that encompassed all investments for which footprinting methodology exists. The improved coverage required re-establishing the baseline as the 2023 figure, as well as adjusting our 2030 target. For background on this, see pages 16-17 in our **2023-24 TCFD report**.
- Our footprinting methodology and data also underwent third-party review by PwC, consistent with industry practice. For additional information on our assurance process, see pages 20-23 in our 2023-24 TCFD report.

2025

- We repeated the carbon footprinting on our end-of-year 2024 portfolio to measure the continued progress against our 2023 baseline and towards our 2030 target. The footprint results, calculation methodology and considerations are detailed on the following pages.
- We achieved our 2025 stewardship and process targets, advancing our portfolio data quality and asset stewardship.

Carbon footprint coverage

Our carbon footprint scope is informed by leading industry guidance and market practice from investor peers. We aim to calculate and disclose emissions for all investments in the Fund for which footprinting methodology is established and emissions data is available and sufficiently high quality.

Our 2024 portfolio carbon footprint covers the following assets:

Public markets assets	• Public equity: Long-only cash equity strategies, index total return swap (TRS), exchange-traded funds (ETFs) • Public credit
Private markets assets	• Internally managed investments in private equity, infrastructure and real estate • Externally managed investments in private equity, infrastructure and real estate

A substantial portion of our Fund is allocated to strategies where emissions data is not available or footprinting methodology does not exist. These investments include:

- certain types of derivatives, including commodities and currencies
- long-short strategies
- secondaries funds

Covering all investments for which footprinting methodology exists, our total fund footprint coverage is 52 per cent (75 per cent if including the separately reported government bonds).

We are committed to working with our data providers and external partners to obtain additional data wherever possible. We also collaborate with industry bodies to drive forward carbon footprinting methodology for novel investment strategies.

Additional notes on our public equities footprinting approach and implications on our 2024 footprint

Our public equities passive index sleeve is managed dynamically through different investment instruments. Some of these instruments (e.g. ETFs) are covered by the current footprinting methodology whereas others (e.g. futures, TRS) are derivatives that are not traditionally covered. Although these indirect equity exposures are not formally covered by the Partnership for Carbon Accounting Financials (PCAF) standard and could therefore always be excluded from scope, many investors, including OPTrust, believe it is important to footprint these strategies where reasonable and practical to achieve broader portfolio coverage and visibility.

Our progress on improving data quality

- We set and achieved several objectives focused on improving emissions data availability across the Fund (**see page 17** for more details).
- We contributed to new **Standards Board for Alternative Investments' (SBAI) guidance** on carbon footprinting considerations in commodities investments.

As such, our carbon footprint over the years has consistently included one derivative instrument — a TRS that has represented a large, stable allocation — to yield a more representative view of our emissions exposure. In 2024, this TRS had a notional value of $587 million and an emissions intensity of 4.93 tCO2e/$M invested.[6]

The 2024 public markets portfolio contains allocations to the aforementioned TRS, ETFs (which were not present in the portfolio in previous years) and futures (that are currently excluded from the scope and were also excluded in the past). Given the dynamic management of this sleeve as mentioned above, we anticipate year-over-year variations in the coverage and resulting emissions intensity that are independent of actual decarbonization progress, and largely a function of the relative mix of financial instruments used to gain market exposure.

As our coverage evolves, we are committed to continued transparency and explanation of how these portfolio changes impact our footprint.

2024 carbon footprint: emissions attributable to our investment portfolio

Our total fund carbon footprint is reported below, with additional definitions and details relating to these metrics outlined in the following pages:

Portfolio	Year	Value of assets analyzed ($M)	Financed emissions (tCO_2e)	Emissions intensity (tCO_2e/$M invested)	Weighted average PCAF data quality score
Public markets	2024	3,159	67,651	21.4	3
	2023	1,540	108,520	70.5	2
Private markets	2024	12,005	749,851	62.5	3
	2023	11,145	780,027	70.0	3
Total	2024	15,164	817,502	53.9	3
	2023	12,685	888,547	70.0	3

Government bond portfolio footprint (presented separately, in line with the PCAF standard):

Emissions category[7]	Financed emissions (tCO_2e)	Emissions intensity (tCO_2e/$M invested)
Production (excl. LULUCF)	918,224	139.8
Production (incl. LULUCF)	923,326	140.5
Consumption emissions	457,477	197.0

Our total fund emissions intensity in 2024 decreased by 23 per cent relative to 2023, driven mainly by three factors:

- In our private markets portfolios, we continue to work with our assets and external partners to steward our investments on their decarbonization journeys, which yielded an 11 per cent reduction in private markets emissions intensity.
- Many of our externally managed public equity strategies reduced their emissions intensities, reflecting issuer-level decarbonization progress and active management from our partners.
- Most significantly, our internally managed public equity portfolio had an expansion in its relative allocation to instruments that are covered by footprinting methodology (i.e. ETFs) from those that are not (i.e. futures). Since the ETF exposures are relatively lower-emitting than some of the other strategies in the public markets portfolio, their increased proportion had a downward impact on the public markets — and, in turn, total fund — emissions intensities. However, as discussed earlier, this shift may not represent a lasting decline in our emissions profile. Our public equity portfolio instruments are anticipated to evolve into the future, alternating among instruments that can be footprinted and those that currently lack footprinting guidance.

Methodology

OPTrust's carbon footprinting methodology is informed by the Partnership for Carbon Accounting Financials (PCAF) *Global GHG Accounting & Reporting Standard*.

Under the standard, a portfolio's **financed emissions** are attributed to the investor based on financial exposure and ownership of the underlying assets, which enables comparable emissions accounting across the range of asset classes where OPTrust invests.

$$\text{OPTrust's financed emissions} = \sum_i^n \frac{\textit{OPTrust's exposure to Asset}_i}{\textit{Asset}_i\textit{'s total value}} \times \textit{Asset}_i\textit{'s emissions}$$

The asset total values used in the equation above are specific to asset classes:

Asset class	Asset total value
Public markets equities and debt	Enterprise Value Including Cash (EVIC)
Private equity and infrastructure	Enterprise Value (EV)
Real estate	Gross Asset Value (GAV)

To account for changes in portfolio size over time, financed emissions are normalized by the value of the footprinted assets to obtain **emissions intensity**.

$$\textbf{OPTrust's emissions intensity} = \frac{\textit{OPTrust's financed emissions}}{\sum_i^n \textit{OPTrust's exposure to Asset}_i}$$

Portfolio emissions are reported in terms of tonnes of carbon dioxide equivalent (tCO2e) and cover Scope 1 and Scope 2 emissions of the underlying assets. Scope 1 emissions constitute direct emissions from the activities of an asset under their control, while Scope 2 emissions are derived from the energy the asset purchases and uses.

Reported emissions are in terms of tonnes of carbon dioxide equivalent (tCO2e) and include Scope 1 and Scope 2 emissions of the underlying assets based on asset-reported data where available, supplemented with proxied data where the assets themselves do not report.

Data for Scope 3 emissions (covering other indirect emissions throughout an asset's value chain, such as through their supply chain) continues to present challenges for investors due to its immaturity and unreliability, particularly in private markets where we hold significant allocations. Scope 3 is therefore not currently included in our carbon footprint, but we recognize the importance of understanding and working with our external partners in managing these emissions to obtain a more fulsome view of climate exposure. We will look to integrate this data into our measurement and reporting as data availability and quality improves, such that we are comfortable disclosing it publicly and using it to support investment decision-making.

Our sovereign and provincial bond carbon footprint captures our exposure to emissions generated and consumed within the boundaries of national or provincial territories. These emissions are not aggregated with the rest of the Fund's carbon footprint, due to the asset class's distinct footprint calculation methodology and inherent double-counting with asset-level emissions. Given the significant data uncertainty and lack of industry alignment regarding the accounting of land use, land-use change and forestry (LULUCF) emissions, we report (per PCAF guidance) our financed production emissions both including and excluding LULUCF emissions.

Note that the sovereign debt footprinting methodology does not factor in differentiated emissions from our $1.1 billion allocation[8] to green bonds that finance climate solutions and environmental projects.

Data quality

Emissions data is graded on its quality according to PCAF's data quality scoring framework that ranks emissions from Score 1 (highest quality) to Score 5 (lowest quality):

Data quality score	Description
1	Audited asset-reported data
2	Unaudited asset-reported data
3	Proxied data based on asset activity levels and sector averages
4	Proxied data based on asset revenues and sector averages
5	Internally estimated proxied data

At a portfolio level, we calculate an average of the data quality scores that is weighted by the financed emissions.

We use the most current emissions data available. Note that since emissions reporting can lag financial reporting (especially in private markets), some emissions data corresponds to the previous fiscal year.

While we strive for the utmost data quality in our carbon footprint — given its utility in quantifying our portfolio's carbon risk exposure — we acknowledge emissions accounting's limitations and need for further maturation (as discussed in detail on page 16 in our **2023-24 TCFD report**). We employ carbon footprinting as one of many climate risk measurement tools to build a more comprehensive understanding of climate exposure and strive to elevate our carbon footprinting practices year-over-year.

Our climate targets

Our interim climate targets, set in 2023, play an important role in steering our progress towards our net zero by 2050 ambition and in strengthening climate resiliency across the portfolio. The description of our targets, and our progress towards achieving them, is described below.

Carbon exposure

Goal: Reduce emissions intensity by 20% by 2030 against the 2023 baseline

Status: In progress

Building on our emissions intensity decrease of 11 per cent between 2022 and 2023, we set a recalibrated reduction target of 20 per cent by 2030 (against the 2023 baseline), an ambitious yet realistic target that drives our focus to participate meaningfully in the low-carbon transition.

Our 2024 emissions intensity of 53.9 tCO2e/$M invested represents a 23 per cent reduction compared to our 2023 baseline of 70.0 tCO2e/$M invested. As previously discussed, a significant contributor to the emissions reduction (alongside real-world decarbonization progress in our private markets investments) was our ability this year to footprint a larger portion of our public equities portfolio that was allocated to passively held instruments (notably, ETFs) where emissions data was available. This portfolio structuring may continue to evolve over the coming years in ways that may impact our reported emissions intensity.

We are pleased to report this advancement towards our 2030 target and are committed to continued climate-informed investment selection and engagement initiatives to maintain and further our portfolio's decarbonization progress.

Stewardship

Goal: Implement enhanced climate due diligence on 100% of new direct investments and external partner commitments by 2025

Status: Achieved

We developed bespoke climate due diligence toolkits to better identify and analyze climate risks and opportunities for direct investments across all asset classes, and bolstered our external manager selection framework with climate-focused criteria to standardize evaluation of our partners' climate competencies in underwriting deals. These tools are being applied for all new direct and external investments moving forward.

Goal: Phase in climate evaluations on core, strategic investment partners starting in 2024, for completion by 2025

Status: Achieved

We also applied our climate-focused external manager evaluation to all existing, long-term fund relationships to establish further visibility into their management of climate risks and opportunities on our behalf, learn from their climate practices and identify areas for further engagement.

Process

Goal: Engage with 100% of core, strategic investment partners and higher-risk, directly owned assets by 2025 to advocate for collection and reporting of emissions data

Status: Achieved

As discussed alongside our 2022 carbon footprint, we identified improving our emissions data quality as a major priority. High-quality emissions reporting has been widely available for public markets investments for many years, but data for private markets investments (particularly the portion managed externally where we lack direct governance) requires additional engagement. Additionally, our private markets assets are smaller, middle-market assets compared to larger public companies and therefore face additional challenges in measuring and reporting their emissions. In the absence of asset-reported data in the private markets, investors like us must resort to less accurate sector-based proxies to estimate emissions.

While we cannot fully control whether our assets and external partners track their emissions, we engaged with all our higher-risk, directly owned assets and long-term partners to advocate for the collection of data and have achieved increased adoption across the portfolio. In addition to yielding more accurate data for our portfolio carbon footprint, emissions measurement for our assets and partners can lay the foundation for more rigorous decarbonization programs, something we will advocate for as their practices mature.

Increase in private markets assets measuring emissions

Since setting this goal in 2022, the number of assets reporting actual emissions data in our private equity and infrastructure portfolios combined has tripled. Much of this progress comes from our infrastructure portfolio, where improved disclosure is especially meaningful given the sector's carbon intensity.

We also improved the actual emissions reported from our directly held real estate assets by nearly 20 percentage points on a portfolio value basis.

These achievements mark a significant step forward in reducing reliance on proxy data and strengthening the quality of our climate reporting.

Looking Ahead

As the global economy's journey to net zero continues to evolve, OPTrust remains steadfast in our commitment to transparency, effective risk management and continued attention to the impacts of climate change. Over the past year, we have made meaningful progress in implementing our climate change strategy, expanding our carbon footprinting coverage, strengthening our tools and analytics, and advancing our stewardship and process targets. These efforts have positioned us to better understand and manage climate-related risks and opportunities across the portfolio, even as the regulatory and policy landscape grows more complex and the impacts of climate change become increasingly tangible.

We recognize that the path forward is marked by uncertainty and ongoing challenges. The transition to a low-carbon economy will require continued adaptation, collaboration and innovation. As we move into the next phase of our climate journey, OPTrust will remain focused on integrating climate considerations across all functions that support the investment process, consolidating diverse risk perspectives, and regularly reviewing our strategy and disclosures to align with evolving standards and best practices.

Importantly, we will need to thoughtfully renew our climate change strategy in light of these considerations, ensuring it remains responsive to new data, shifting regulations, and emerging risks and opportunities. Guided by our fiduciary duty to Plan beneficiaries, we will balance ambition with pragmatism, driving meaningful progress while remaining agile in the face of change.

We look forward to sharing further updates as we continue to build a resilient, sustainable portfolio for the long term.

Endnotes

[1] In 2022, we released our **climate change strategy** and announced the ambition to achieve net-zero emissions in our portfolio, informed by best-practice guidance from the Net-Zero Investment Framework, the recommended approach of the Paris Aligned Asset Owners' Initiative.

[2] Computed as of December 31, annually.

[3] In this report, "partners" refers to external investment managers engaged to manage assets on our behalf, including commitments to externally managed funds.

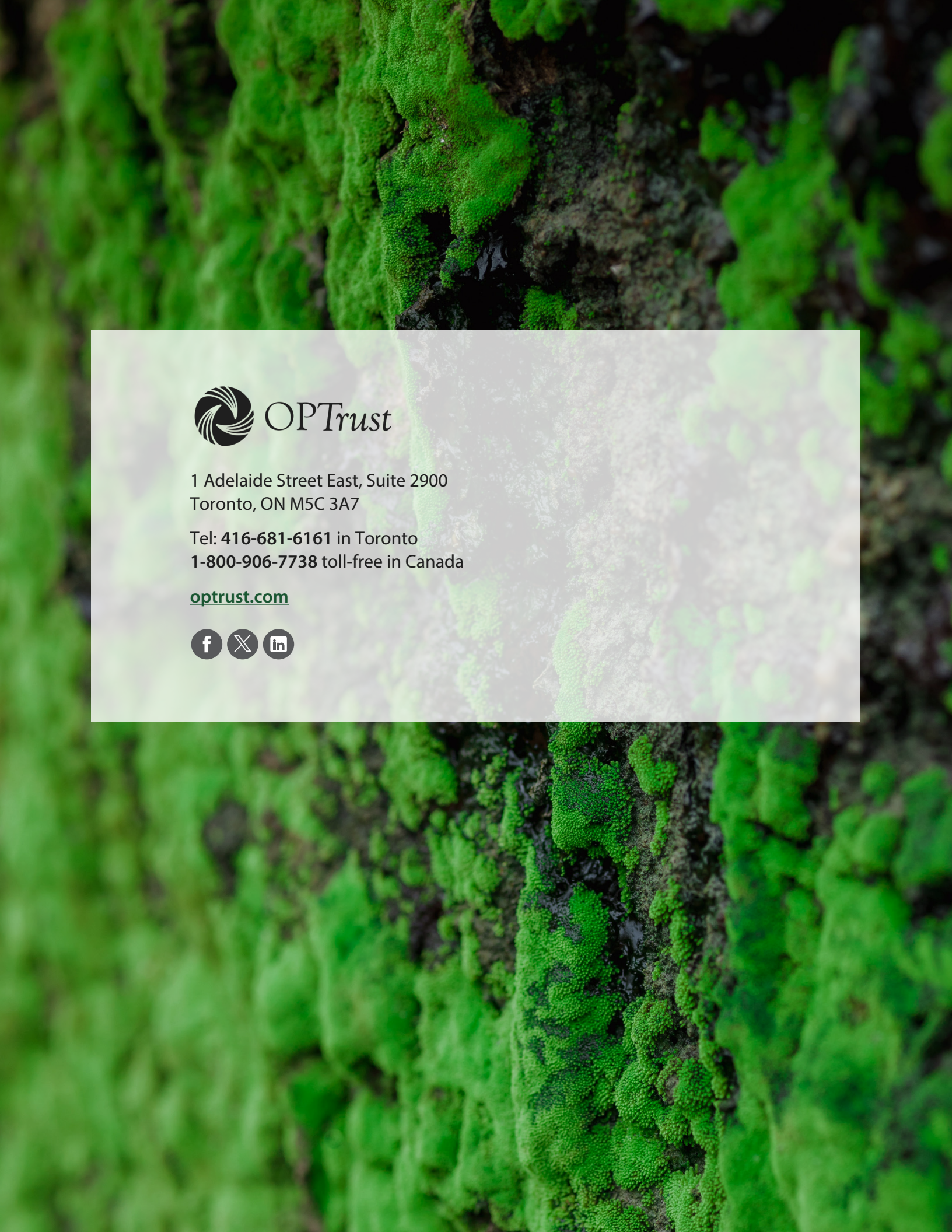
[4] **See page 8** for more information on our industry engagements in the past year.

[5] In addition to the organizations listed, we are actively engaged in several investor climate collaborations, including Ceres and its net-zero working groups, SHARE, CDP, Canadian Coalition for Good Governance, Thinking Ahead Institute, Transition Pathway Initiative, The ESG Data Convergence Initiative and the International Center for Pension Management.

[6] We apply an approach that computes the carbon intensity of the underlying index and scales the financed emissions according to the notional value of our exposure, providing near comparability to our standard public equities' exposures.

[7] Production emissions are those attributable to emissions produced domestically. They include domestic consumption and exports. Consumption emissions reflect the demand side of sovereign emissions and account for consumption patterns and trade effects (e.g. carbon leakage). LULUCF refers to land use, land-use change and forestry emissions. **See page 15** for more information. (Source: PCAF)

[8] As of December 31, 2024.



OPTrust

1 Adelaide Street East, Suite 2900
Toronto, ON M5C 3A7

Tel: **416-681-6161** in Toronto
1-800-906-7738 toll-free in Canada

optrust.com