

*Our members
depend on us to provide
secure, predictable
income in retirement.*



A Member-Driven Approach to Climate Change

Climate change is one of the most significant risks we face today. Its effects are complex and wide-ranging, and will play out over decades. Despite years of debate about the risks associated with climate change, a common approach or perfect tool has yet to be realized to model and mitigate its impact on investment opportunities.

As a pension management organization, we exist to pay pensions today and preserve pensions for tomorrow. Our members depend on us to provide secure, predictable income in retirement. The way we manage our investing needs to fully align with our members' interests and with our Member-Driven Investing (MDI) strategy.

MDI was a deliberate response to the sustainability challenges that impact OPTrust. It allows us to take calculated risk to generate sufficient returns, but not excessive risk that would jeopardize stability. We work to ensure OPTrust earns sufficient returns for the risks taken and we are purposeful and efficient in the way risk is allocated.

Given our MDI strategy and focus on risk, it is only logical we apply the same lens and thoughtfulness to understanding climate change as we do other risks and opportunities we face. To ensure sustainability, we must better understand the risk climate change poses and incorporate this into our investment decision-making, investment management, and portfolio construction processes.

OUR APPROACH

- **Measurement matters.** Metrics and tools to price the risks posed by climate change are currently imperfect. Our view is that carbon footprinting provides an incomplete picture of carbon risk in an investment portfolio and to company value. We are focused on developing our approach to assessing and managing the risks and ensuring opportunities are captured.
- **Change happens with influence.** As a global pension citizen, we have a responsibility to our members to use our voice and influence to move the needle on this critical issue. Engagement is a cornerstone of our approach to responsible investing and we use our ownership position to promote better practices among our investee companies. Climate change is a major part of this dialogue.
- **Impact through innovation.** Innovation truly occurs when it is embedded in systems and in practice. An innovation mindset — particularly in the context of long-term investing for our plan's members — demands an evaluation of investing in future success and not the past. Similarly, we acknowledge that new technologies will be key in our process to better understand climate change risks and opportunities.
- **Organizational stewardship.** For OPTrust climate change is not only about how we invest and price risk, it's how we engage our employees. We pursue opportunities to green our organization because we believe that together we can create a more sustainable future for people and our planet.

OPTrust has long recognized that bold steps are required to help investors understand the risks that climate change presents. As a pension management organization, we are well-equipped to make a difference on this issue because of our long time horizon and focus on sustainability.



We also start conversations, promote ideas and seek better tools with which to tackle this problem. But our work has only just begun with the release of OPTrust's climate change papers and Task Force on Climate-related Financial Disclosures (TCFD) reporting. We believe climate change impacts must be considered as part of our investment and operations strategy over the long term.

HIGHLIGHTS



Committed **7.6%** of OPTrust's portfolio to **renewable power** and **green real estate** investments.



Joined **Climate Action 100+**, an investor-led initiative to engage globally with large greenhouse gas emitters to improve governance, strengthen disclosure and curb emissions.



Created an **incubation portfolio** to enable innovation, leverage strategic relationships and invest in **solutions and opportunities** that could include climate change.



One of the **first pension funds** to report in accordance with the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD).



Partnered with our global pension peers in the **International Centre Pension Management** (ICPM) Climate Change Working Group to develop guidance for institutional investors on understanding the risk.



Conducted **scenario analysis** to better understand the implications of climate change for the Plan if the Paris Agreement target is achieved and in a business as usual case.



LOOKING FORWARD

Our MDI approach is rooted in risk management and in only taking on risk when we will be rewarded for it. Currently, it's not clear whether climate change is a risk that is being appropriately priced – meaning it can impact our ability to achieve the goal of sustainability. We are expanding OPTrust's understanding of our exposure to both the upside and downside of climate change in a way that aligns with the fund's risk conscious approach to investing.

OPTrust will continue to work collaboratively to improve our understanding of climate change impacts and seek solutions as we head toward a carbon-neutral future. Over the year we plan to: bring together climate scientists and investors for thoughtful debate, continue to report on our progress using the TCFD framework, assess and analyse the fund's climate risk exposure across portfolios and continue to drive organizational engagement in our climate change journey.

For more information, read our *Climate Change Action Plan* at [optrust.com](https://www.optrust.com).



ABOUT OPTRUST

With net assets of over \$20 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan, a defined benefit plan with more than 92,000 members and retirees. OPTrust was established to give plan members and the Government of Ontario an equal voice in the administration of the Plan and the investment of its assets through joint trusteeship. OPTrust is governed by a 10-member Board of Trustees, five of whom are appointed by OPSEU and five by the Government of Ontario.

OPSEU PENSION TRUST

1 Adelaide Street East, Suite 1200
Toronto, ON M5C 3A7

Phone: (416) 681-6161
Toll-free within Canada:
1 800 906-7738

[optrust.com](https://www.optrust.com)

