

The 2022 Canadian Pension Climate Report Card analyzes, assesses and ranks the progress made by eleven of Canada's largest pension managers in their approach to climate risk and investment decisions as they relate to the climate crisis. View the full report at shiftaction.ca/reportcard2022.



OMERS

OMERS is the investment manager for the pension fund of Ontario's municipal workers, with 541,000 members and 1,000 participating employers (ranging from large cities to local agencies). Members include union and non-union employees of municipalities, school boards, transit systems, electrical utilities, emergency services and children's aid societies across Ontario.

Assets Under Management (AUM): \$119.5 billion (June 30, 2022)

	OVERALL SCORE	Paris-Aligned Target	Interim Targets	Climate Urgency	Climate Engagement	Climate Integration	Fossil Fuel Exclusions
OMERS	D+	C	C	C+	D-	D+	F



The good

OMERS has announced a commitment to net-zero emissions by 2050 and committed to set interim emissions reduction targets every five years. In 2021 and 2022 it made a number of investments in energy storage and renewable energy, and at the end of 2021 quantified its investments in climate solutions.

What OMERS should improve in 2023:

- Join a credible and accountable Paris-aligned investor body such as the Net Zero Asset Owner Alliance or Paris Aligned Investment Initiative.
- Release a credible Paris-aligned climate strategy.
- Pair emissions intensity reduction targets with absolute emission targets.
- Set targets for investments in climate solutions and for the proportion of AUM covered by a credible net-zero plan.
- Complete scenario analysis using a credible 1.5°C, Paris-aligned outlook and disclose results.
- Engage owned companies using timebound criteria and a process that escalates to divestment to ensure they rapidly develop profitable and credible net-zero pathways. Set targets to measure the success of climate engagements.
- Set an expectation that owned companies:
 - tie executive compensation to the achievement of climate targets
 - refrain from lobbying against climate action, directly or through industry associations

- refrain from directing capital toward fossil fuel expansion.
- Strengthen Proxy Voting Guidelines to require companies to have science-based decarbonization plans. Begin publishing voting rationale along with voting record.
- Divest from fossil fuel producers.
- Place an exclusion on any new investments in coal, oil, gas and pipelines.
- Commit to a timebound and managed phaseout of existing fossil fuel assets.
- Require climate expertise on the Board of Directors.
- Tie executive and staff compensation to the achievement of climate targets.
- Specify in proxy voting guidelines that the fund will vote in favour of proposals requiring companies to demonstrate the Free, Prior and Informed Consent of Indigenous Peoples for projects that affect their traditional lands and waters.

SCORING DETAILS

Paris-Aligned Target



OMERS committed in November 2021 to achieve net-zero emissions by 2050. The commitment did not define net-zero or specify what role if any would be played by offsets. OMERS has committed to setting interim five-year targets and has set a 2025 emissions reduction target. OMERS has stated that its path to net-zero will be informed by its annual total portfolio carbon footprint. To date, the total portfolio carbon footprint does not include or account for scope 3 emissions.

Interim Targets



Emissions reduction

Prior to setting a net-zero by 2050 target, OMERS announced a target to reduce the emissions intensity of its portfolio (scope 1 and 2) by 2025 by 25% below 2019 levels. OMERS has committed to setting interim targets every five years, and a case study in the Investor Leadership Network's *Net Zero Investor Playbook* describes OMERS' five-phase process, as yet incomplete, for setting a 2030 target.¹ OMERS has not set any absolute emissions reduction targets.

OMERS' real estate subsidiary, Oxford Properties, has a target to reduce the real estate portfolio's scope 1 and 2 emissions, on a per square foot basis, by 30% by 2025, using a 2015 baseline.

Investment in climate solutions

To date, OMERS has no targets for investments in climate solutions, although in 2021 it quantified its current investments according to the International Capital Market Association's (ICMA) Green Bond Principles (2021 *Annual Report*, p.55).

AUM covered by a science-based decarbonization target

OMERS has no targets for its climate-related engagements with owned companies, and no targets for the proportion of AUM or proportion of owned companies covered by science-based targets.

Climate Urgency

C+

A *Letter from our CIO* on the OMERS website recognizes climate change as a “pressing issue” that poses risks to its portfolio and acknowledges that investors have a role in supporting and accelerating a transition to a “lower-carbon economy.” However, OMERS does not communicate the urgency of the crisis or articulate a determination to place the climate crisis as a central part of its investment strategy.

Sample language from OMERS’ webpage *A Letter from our CIO*:

“Climate change is one of the most pressing issues of our time, and we see the world transitioning to a lower-carbon economy. The pace and scope of this transition will largely be determined by governments and communities, as well as by innovation and technology. As investors, we play a role in supporting accelerators of this change and are partnering with our portfolio to find opportunities to evolve business practices and grow sustainably.”

Climate Engagement

D-

SUMMARY

OMERS states no expectations that owned companies have credible net-zero pathways and provides no timelines or targets for ensuring its assets are covered by credible net-zero plans. OMERS’ *2021 Annual Report* provided descriptive commentary on “ESG integration” but included no examples or results pertaining to its engagements (p.50-51).

DETAILS

Expectations for owned companies

According to its *ESG at OMERS* webpage, “(OMERS) expects our investee companies to have a good understanding of the environmental risks they face and have appropriate practices to address such issues in their businesses.”

With no further stated expectations, the fund claims in its *Sustainable Bond Framework* to “promote sustainable business practices and long-term perspectives through direct engagement with management and boards of directors”, and in private assets “typically acquire[s] governance rights, including board seats. We exert our board-level influence to encourage the investee company to maintain and build on sustainable business practices” (p.3).

Proxy voting

OMERS’ *Proxy Voting Guidelines* express an expectation for disclosure of climate-related risks but do not specify an expectation that owned companies demonstrate credible net-zero Paris-aligned pathways: “We expect companies to disclose how their operations will be impacted by climate change, as well as the policies and procedures that have been implemented to address the risks and/or opportunities. We also expect companies to disclose their governance structure around the management of climate risks and/or opportunities, and how they ensure that they have the relevant expertise in place to underpin this” (p.30). OMERS will consider withholding votes from directors (e.g. committee chairs) if a company is not taking “appropriate steps” (not defined) to mitigate risks from climate change and to disclose relevant information, including GHG emissions.

Collaborative engagement

OMERS is a member of Climate Engagement Canada (CEC).

Direction given to external managers

A review of OMERS' 2021 *Annual Report*, *Sustainable Investing Policy*, and website found no mention of how OMERS assesses its external managers on ESG practices, or what direction OMERS gives to its external managers regarding handling of climate-related risk.

Climate Integration

D+

Accountable Paris-aligned membership

OMERS is not a member of any accountable and credible Paris-aligned investor body.

Transparency and disclosure of holdings

OMERS provides limited but incomplete disclosure of its investments, for example by announcing major investments or sales of assets via press release.

Transparency and disclosure of climate risk

OMERS' 2021 *TCFD Reporting* provides little disclosure of which global heating scenarios were used to assess climate-related risk, and little disclosure of the results of the scenario analysis.

OMERS has a stated net-zero emissions by 2050 target but no public climate strategy or path to attain this target.

Board climate expertise and/or fossil fuel entanglement

OMERS' *Board Competencies* (Administration Corporation) requires having at least one director who meets at least one ESG criterion, but climate expertise is not a specified requirement. OMERS does not identify any Board members as having climate expertise, although Board member Yung Wu sits on Canada's Net-Zero Advisory Body.²

OMERS' 2020 and 2021 *Annual Reports* mention Board education sessions on climate, including presentations from external experts and topics including carbon accounting, the transition to net zero and climate-related investment opportunities (2020: p.29, 52; 2021: p.28, 53).

No OMERS Board members appear to have fossil fuel entanglements.

Executive and staff compensation and climate

There is no indication that OMERS ties executive and staff compensation to climate targets. However, the 2021 *Annual Report* discussion of the achievements that contributed to OMERS CEO Blake Hutcheson's variable compensation includes mention of OMERS setting its net-zero by 2050 commitment (p.91-92).

Fossil Fuel Exclusions

F

None.

OMERS' *Sustainable Investing FAQ* (webpage) states: "We believe that as the world transitions to a lower-carbon economy, there is a vital role for responsible, long-term investors such as OMERS to provide leadership on the cleaner and safer production and transportation of traditional energy. Today, we believe that traditional energy assets still form part of a balanced and diverse energy portfolio, and that to divest completely from traditional energy would mean that we lose our voice, and influence, in a very significant portion of the energy market. We use our influence as investors to help ensure that the traditional energy companies we have ownership positions in adopt a proactive approach to creating long-term, effective, relevant and transparent

ESG strategies.” In contrast, OMERS’ *Sustainable Bond Framework* explicitly excludes “investments related to the exploration, production and transportation of fossil fuels... even where such investments are intended to support the sector’s transition” (p.9).

A series of recent divestitures of OMERS’ stakes in fossil gas assets has led some plan members to speculate that OMERS is quietly reducing its exposure to risky fossil fuels, absent a formal fossil fuel exclusion policy.³

ADDITIONAL INFORMATION

The information below provides relevant context but did not contribute to the assigned scores. Exception: membership in the Net Zero Asset Owner Alliance or Paris Aligned Investment Initiative was considered when assigning scores.

United Nations Declaration on the Rights of Indigenous Peoples OMERS has no policy requiring owned companies to respect Indigenous Peoples’ right to free, prior and informed consent for projects affecting them.

Accountable Paris-aligned memberships None

- Collaborations and memberships**
- Accounting For Sustainability - CFO Leadership Network
 - Canadian Coalition for Good Governance
 - Carbon Disclosure Project
 - Climate Engagement Canada
 - International Corporate Governance Network
 - Investor Leadership Network
 - Sustainable Finance Action Council
 - Sustainability Accounting Standards Board (now part of IFRS Foundation)
 - Task Force on Climate-Related Financial Disclosures

Self-reported assets linked to climate solutions* \$18 billion, or 15% of AUM (December 31, 2022)**

Estimated investments in fossil fuels Estimated \$7-8 billion, or 5-6% of AUM (December 31, 2022)***

- Notable fossil fuel holdings (not a comprehensive list)**
- A 50% stake in NET4GAS.⁴
 - A 50% stake in BridgeTex.⁵
 - A 25% stake in Exolum.⁶

* Definitions vary. Number is not comparable between funds. Self-reported numbers do not necessarily indicate climate-aligned assets.

** As reported in OMERS’ 2021 Annual Report (p.55). Assets identified by OMERS using the International Capital Market Association’s (ICMA) Green Bond Principles and June 2021 Guidance Handbook, which includes “green buildings, renewable energy, and energy efficiency assets.”⁷

*** OMERS does not disclose a list of total investments in fossil fuels. This conservative estimate comes from regulatory filings and press releases regarding the value of disclosed investments in companies including Net4Gas (gas distribution network), BridgeTex (crude oil pipeline), and Puget Sound Energy (an electric and fossil gas utility).

ENDNOTES

- 1 Investor Leadership Network. (2022). *The Net Zero Investor Playbook*. P.14. investorleadershipnetwork.org/wp-content/uploads/ILN-Net-Zero-Investor-Playbook_2022.pdf.
- 2 OMERS. (2022). *Yung Wu*. Webpage. Retrieved June 3, 2022 from www.omers.com/yung-wu.

- 3 P. Burns, A. Clancy and M. Rosato. (9 August 2022). *Is one of Canada's largest pension funds quietly divesting from fossil fuels?* Corporate Knights. www.corporateknights.com/responsible-investing/is-omers-divesting-from-fossil-fuels/.
- 4 Borealis Infrastructure; Allianz Capital Partners. (2013, August 2). *Allianz and Borealis Infrastructure Complete the Acquisition of Czech Gas Transmission Operator NET4GAS*. [Press release]. www.globenewswire.com/news-release/2013/08/02/1341217/0/en/Allianz-and-Borealis-Infrastructure-Complete-the-Acquisition-of-Czech-Gas-Transmission-Operator-NET4GAS.html.
See also OMERS Infrastructure. (2022). *NET4GAS*. Webpage. Retrieved September 27, 2022 from omersinfrastructure.com/portfolios/net4gas/.
- 5 OMERS. (2018, August 21). *OMERS Infrastructure Announces Investment in BridgeTex*. [Press release]. www.globenewswire.com/news-release/2018/08/21/1554479/0/en/OMERS-Infrastructure-Announces-Investment-in-BridgeTex.html.
See also OMERS Infrastructure. (2022). *BridgeTex*. Webpage. Retrieved September 27, 2022 from omersinfrastructure.com/portfolios/bridgetex/.
- 6 Exolum. (2022). *Shareholders and investors*. Webpage. Retrieved September 27, 2022 from exolum.com/en/shareholders-and-investors/.
See also OMERS Infrastructure. (2022). *Exolum*. Webpage. Retrieved September 27, 2022 from omersinfrastructure.com/portfolios/exolum/.
- 7 OMERS. (2022). *OMERS 2021 Annual Report. Building Tomorrow Together*. Pg 55. Downloaded from www.omers.com/annual-reporting.

REFERENCES

The following publicly available information was reviewed in the preparation of this analysis.

Reports

- [2021 Annual Report](#) (2022)
- [2020 Annual Report](#) (2021)
- [Oxford Properties 2021 Global Sustainability Report](#) (2021)

Documents

- [Statement of Investment Policies and Procedures \(SIP&P\) - Primary Plan](#) (effective March 1, 2022)
- [Sustainable Investing Policy](#) (effective January 1, 2022)
- [Proxy Voting Guidelines](#) (effective March 01, 2022)
- [Board and Director Competencies. Governance Manual](#) (effective January 1, 2022)
- [OMERS Sponsor Corporation Board Competency Framework. SC Governance Manual](#) (effective date January 1, 2020)
- [Our Approach to Climate Change](#) (November 24, 2021)
- [OMERS Sustainable Bond Framework](#) (March 2022)

Webpages and press releases

- [Administration Corporation](#) (webpage) (accessed June 2022)
- [Board of Directors](#) (webpage) (accessed June 2022)
- [A Letter from our CIO](#) (webpage) (accessed June 2022)
- [Climate change](#) (webpage) (accessed September 2022)
- [Sustainable investing](#) (webpage) (accessed September 2022)
- [ESG at OMERS](#) (webpage) (accessed September 2022)
- [Proxy Voting Record](#) (webpage) (accessed June 2022)
- [Our Targets. Sustainability at Oxford](#) (webpage) (accessed June 2022)
- Press release and letter from Blake Hutcheson - [OMERS commits to Net Zero 2050 emissions goal, building on its Sustainable Investing program](#) (November 24, 2021)
- Press release - [OMERS successfully completes first sustainable bond offering](#) (April 21, 2022)
- Press release - [OMERS investments steady in a difficult market environment](#) (August 18, 2022)