

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 shiftoaction.ca/reportcard2022.



OPTrust

OPTrust is the OPSEU Pension Plan for over 100,000 active and retired Ontario public servants, most of whom work for the Ontario Public Service, municipal governments and service providers, and Ontario's public college system, as well as OPSEU members who work for private companies or organizations that are contracted to deliver public services, such as hospitals and medical laboratories. OPTrust is also the manager for retirement savings of employees of non-profit organizations through OPTrust Select.

Assets Under Management (AUM): \$25.9 billion (December 31, 2021)

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

OVERALL CLIMATE SCORE	D+
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The good

OPTrust's most recent TCFD report indicates that the fund is putting processes in place to embed climate across its governance and investment decision-making structures, but the results are not yet apparent. In October 2022, OPTrust announced a commitment to net-zero emissions by 2050.

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.
- Improve disclosure of investments and high-risk, high-carbon assets.
- Complete total portfolio footprint.
- Set interim emissions reduction targets, including targets for absolute emissions, and release a strategy to achieve them.
- Set targets for investments in climate solutions and for the proportion of AUM covered by a credible net-zero plan.
- 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.
- Provide specific direction to external managers on handling climate-related risks and aligning investments with net-zero pathways.
- 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.

SCORING DETAILS

Paris-Aligned Target	C-
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OPTrust committed in its October 2022 *Climate Change Strategy* to achieve net-zero emissions by 2050. The commitment did not include a definition of net-zero, a limit on the role of offsets, a goal to reduce real world emissions, or interim portfolio emissions reduction targets.

Interim Targets	D
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While interim targets are not yet announced, OPTrust’s 2021 TCFD Report indicates that targets will be announced in 2023 and will include targets on process, engagement, climate solutions investment and climate metrics (e.g. emissions) (p.17-18).

Climate Urgency	C+
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OPTrust acknowledges the existential risks of the climate crisis and its role in addressing it. But OPTrust does not convey a sense of urgency or acknowledge that its investment, engagement and stewardship activities can impact the trajectory of the climate crisis.

Sample language from OPTrust’s October 2022 *Climate Change Strategy*, Message from the President and CEO (p.4):

“Every organization must play a role in advancing global progress, including OPTrust. As the world grapples with the growing challenge of climate change, investing sustainably for the long-term health of our pension plan demands addressing climate sustainability. Our climate change strategy commits to a net-zero portfolio by 2050 and to building the foundation that enables us to embed climate considerations into the way we invest – a commitment we make to our members’ pension security.”

Climate Engagement

D

SUMMARY

OPTrust has not set the expectation that companies in its portfolio have credible net-zero transition plans. It does not yet have time-bound targets for successful climate engagements, or an escalation process should engagement be unsuccessful.

DETAILS**Expectations for owned companies**

For direct investments, OPTrust “advocates for the importance of managing climate-related risks” (2021 *Responsible Investing Report*, p.15). Specific expectations, requirements or a process for escalation are not provided.

Proxy voting

OPTrust has some climate-related details in its *Proxy Voting Guidelines*. In general the fund supports TCFD disclosure, will encourage “climate-competent boards” and “may support” asking companies to set Paris-aligned targets (p.22-23). However, OPTrust’s proxy votes are not posted publicly, making it challenging for members and stakeholders to assess its voting record.

Collaborative engagement

OPTrust is an investor supporter of Climate Action 100+, meaning it is a signatory to the engagement initiative and supports the initiatives’ goals, but does not participate directly in engagements with focus companies.

Direction given to external managers

According to OPTrust’s 2021 *Responsible Investing Report* (p.6, 10), third-party managers complete a Responsible Investing Partner Evaluation, which includes information on the manager’s approach to climate change. A climate change due diligence toolkit is mentioned as being in development. But being at an “earlier stage” in responsible investing practices does not preclude the manager from working with OPTrust.

Climate Integration

D

Accountable Paris-aligned membership

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

Transparency and disclosure of holdings

OPTrust does not disclose its holdings or their valuation.

Transparency and disclosure of climate risk

OPTrust’s 2021 *TCFD report* provided a detailed discussion of climate-related risks and opportunities. However, it is difficult to assess the degree to which these risks threaten the fund without disclosure of the fund’s assets. The fund does not yet have a carbon footprint, climate metrics or targets (beyond its net-zero by 2050 commitment) and has not yet disclosed the percent of the portfolio allocated to high-carbon assets or its investments in sustainable solutions.

In 2021 the fund undertook climate scenario analysis, including orderly and disorderly transition pathways to achieve 1.5°C and a 4°C failed transition outlook. Details of the analysis were shared with stakeholders in

OPTrust's 2022 paper *Preparing our Portfolio for the Future: Integrating Climate Scenarios into Asset-Liability Management*.

OPTrust prepared a climate action plan in 2018 and issued an updated version in 2022, announcing a net-zero emissions by 2050 commitment.

Board climate expertise and/or fossil fuel entanglement

No OPTrust Board members are identified as having climate expertise. OPTrust's *2021 Responsible Investing Report* (p.16) and *2021 TCFD Report* (p.6) mention Board education and awareness sessions on climate and the fund's climate strategy.

No OPTrust Board members appear to have current fossil fuel entanglements.

Executive and staff compensation and climate

OPTrust provides no indication that executive or staff compensation is linked to climate targets.

Additional notes

OPTrust's *2021 Responsible Investing Report* and *2021 TCFD Report* outline considerable behind-the-scenes work to integrate climate analysis into the fund's operations. For example, a cross-departmental 30-person Climate Response Working Group was involved in renewing OPTrust's *2018 Climate Change Action Plan*, and the group facilitated Board and management working sessions on priority areas in 2021. While it seems that process is being put in place, OPTrust has not yet shown that climate has been integrated across the fund.

Fossil Fuel Exclusions



None.

OPTrust's *Statement of Responsible Investing Principles* says that "we may choose to exclude, based on RI considerations, entities from the investment portfolio where ... the likelihood of effectively mitigating associated ESG risks through active ownership avenues, such as engagement, is low" (p.4).

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	OPTrust's <i>Proxy Voting Guidelines</i> state it supports the "spirit and intent" of UNDRIP and that "We encourage corporations to adopt best practices to respect and incorporate these internationally recognized standards and support proposals that ask companies to adopt and/or comply with these frameworks" (p.22).
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Accountable Paris-aligned memberships	None
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Collaborations and memberships	<ul style="list-style-type: none"> • 2021 Global Investor Statement to Governments on the Climate Crisis • 2022 Global Investor Statement to Governments on the Climate Crisis • Canadian Coalition for Good Governance • Carbon Disclosure Project • Ceres Investor Network • Climate Action 100+ (investor supporter) • ESG Data Convergence Project • Principles for Responsible Investment • Task Force on Climate-Related Financial Disclosures
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Self-reported assets linked to climate solutions*	Not disclosed**
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Estimated investments in fossil fuels	Not disclosed***
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Notable fossil fuel holdings (not a comprehensive list)	<ul style="list-style-type: none"> • OPTrust joined a consortium of investors in August 2020 to provide \$1.5 billion in financing to Kinetico to construct the Cascade gas plant.¹ • OPTrust is a private co-owner of Zenith Energy.² • OPTrust is a private co-owner of Superior Pipeline Company.³
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* Definitions vary. Number is not comparable between funds. Self-reported numbers do not necessarily indicate climate-aligned assets.

** To date, OPTrust has provided no estimate of its investments in climate solutions.

*** OPTrust's public equities portfolio held \$39 million in integrated utilities and fossil fuel companies as of June 30, 2022.⁴ OPTrust has privately acquired stakes in Kinetico,⁵ Zenith Energy,⁶ and Superior Pipeline Company.⁷ OPTrust's *2021 Funded Status Report* stated that the fund sold two oil and gas midstream investments in 2021 (p.25) but did not specify the companies.

ENDNOTES

- 1 Kinetico Resource Corp. (2020, August 28). *900 MW Cascade Power Project in Alberta Closes Financing and Commences Construction*. www.businesswire.com/news/home/20200828005159/en/900-MW-Cascade-Power-Project-Alberta-Closes.
See also Scott, A. and Vipond, J. (2020, December 16). *Why are Ontario pensioners investing in future Alberta stranded assets?* Corporate Knights. www.corporateknights.com/responsible-investing/why-are-ontario-pensioners-investing-in-future-alberta-stranded-assets/.
- 2 Thompson, S., Macdonald, A., and Boyd, T. (2020, May 13). *OPTrust, ICG reassemble team for Zenith, but not everyone's happy* (afr.com). Australian Financial Review. www.afr.com/street-talk/optrust-icg-reassemble-team-for-zenith-but-not-everyone-s-happy-20200513-p54skg.
- 3 Superior Pipeline Company. (2022). *About | Superior Pipeline Company*. Webpage. Retrieved October 25, 2022 from superiorpipeline.com/about/.
- 4 OPSEU Pension Plan Trust Fund. (2022, August 11). *SEC filing. 13F-HR (Institutional investment manager holdings report) INFORMATION TABLE*. U.S. Securities and Exchange Commission. www.sec.gov/Archives/edgar/data/1632810/000095012322008373/0000950123-22-008373-index.html.
See analysis at drive.google.com/file/d/16Gmv0BYwFGV2Mr5mbTelDPI3D-jtTSI4/view.
- 5 Kinetico Resource Corp. (2020, August 28). *900 MW Cascade Power Project in Alberta Closes Financing and Commences Construction*. [Press release]. www.businesswire.com/news/home/20200828005159/en/900-MW-Cascade-Power-Project-Alberta-Closes.
See also Scott, A. and Vipond, J. (2020, December 16). *Why are Ontario pensioners investing in future Alberta stranded assets?* Corporate Knights. www.corporateknights.com/responsible-investing/why-are-ontario-pensioners-investing-in-future-alberta-stranded-assets/.
- 6 Thompson, S., Macdonald, A., and Boyd, T. (2020, May 13). *OPTrust, ICG reassemble team for Zenith, but not everyone's happy* (afr.com). Australian Financial Review. www.afr.com/street-talk/optrust-icg-reassemble-team-for-zenith-but-not-everyone-s-happy-20200513-p54skg.
- 7 Superior Pipeline Company. (2022). *About | Superior Pipeline Company*. Webpage. Retrieved October 25, 2022 from superiorpipeline.com/about/.

REFERENCES

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

Reports

- [2021 Responsible Investing Report](#) (2022)
- [2021 TCFD Report](#) (2022)
- [2021 Funded Status Report](#) (2022)

Documents

- [Aligning our portfolio with the global path to net zero. Climate Change Strategy](#) (October 2022)
- [Preparing our Portfolio for the Future: Integrating Climate Scenarios into Asset-Liability Management. An OPTrust Case Study](#) (October 2022)
- [Statement of Investment Policies and Procedures](#) (effective Dec 15, 2021)
- [Statement of Responsible Investing Principles](#) (effective October 7, 2021)
- [Proxy Voting Guidelines](#) (effective October 7, 2021)
- [Climate Change Action Plan. A Thousand Mile Journey](#) (2018)

Webpages and press releases

- [Responsible Investing at OPTrust](#) (webpage) (accessed June 2022)
- [Climate Change](#) (webpage) (accessed October 2022)
- [Board of Trustees](#) (webpage) (accessed June 2022)