

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.

ALBERTA INVESTMENT MANAGEMENT CORPORATION (AIMCo)

AIMCo is the investment manager for Alberta government, endowment, and specialty funds, and for the province's public pension plans, including the Alberta Teachers' Retirement Fund, the Local Authorities Pension Plan, Public Service Pension Plan and pension funds for provincial management employees, judges, and special forces.

Assets Under Management (AUM): \$168.3 billion (December 31, 2021)

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

OVERALL CLIMATE SCORE

D-

The good

AIMCo outlines an ESG engagement and escalation process, which includes the possibility of divestment. However, it is not clear what would lead AIMCo to escalate its engagements, as the pension manager has articulated no goals, expectations or timelines for its climate engagements.

What AIMCo 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.
- Communicate the urgency of the climate crisis and the necessity to act to mitigate its worst impacts, and acknowledge that AIMCo's investment decisions affect the climate.
- Set a Paris-aligned emissions target backed by a credible climate strategy.
- Set credible science-based interim emissions reduction targets (including targets to reduce absolute emissions).
- Conduct scenario analysis using a credible Paris-aligned 1.5°C outlook and disclose both assumptions used and the results of the analysis. Describe how the results will inform strategy.
- Set targets for investments in climate solutions and for the proportion of AUM covered by a credible net-zero plan.

- 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.
- Divest from fossil fuel producers.
- Place an exclusion on any new investments in coal, oil, gas and pipelines.
- Commit to a time-bound and managed phaseout of existing fossil fuel assets.
- Require climate expertise on the Board of Directors.
- Avoid conflicts of interest and refrain from appointing directors with simultaneous corporate directorships with fossil fuel companies to the Board.
- Establish minimum time that must elapse in between holding a fossil fuel directorship and joining the board.
- 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

F

None.

Although AIMCo acknowledges the risks and opportunities posed by climate change, describes it as a systemic risk and expresses support for the goals of the Paris Agreement, AIMCo has not set a target to reach net-zero financed emissions. In September 2022, AIMCo explicitly ruled out setting a net-zero emissions target, with CEO Evan Siddall saying that “concentrating on a specific net-zero goal would be a distraction from what’s needed to balance energy supply and emissions reduction.”¹

Interim Targets

F

None.

Climate Urgency

D+

AIMCo’s public communications downplay the urgency and severity of the climate crisis and tend to refer instead to “climate change” and the “transition to a low-carbon economy.” Discussion of the climate crisis is absent in key materials; for example, the word “climate” is not mentioned in the Board Chair’s message in AIMCo’s *2021 Annual Report*, and mentioned only incidentally in the Message from the CEO. While AIMCo acknowledges that “[c]limate change is one of the most pressing systemic risks of our time” (*2022 Task Force for Climate-Related Financial Disclosures*, p.1) and cites its support for the goals of the Paris Agreement, the investment manager’s language tends to be reactive rather than proactive. AIMCo does not yet seem to grasp the urgency and severity of the climate crisis, has not identified a role for itself in addressing the systemic risks posed by climate change, and has not centred the climate crisis in its investment strategy.

Sample language from AIMCo's 2022 Task Force for Climate-Related Financial Disclosures (p.1):

"Climate risk is non-diversifiable and can impact the revenues, expenditures, assets and liabilities, and capital and financing of the companies we are invested in on behalf of our clients. AIMCo recognizes the business imperative of integrating climate considerations into our investment strategies. We view the physical, regulatory and reputational risks associated with climate change — along with opportunities to earn a return on investments that support the transition to the low-carbon economy — as material to delivering superior, risk-adjusted returns to our clients."

Climate Engagement

D-

SUMMARY

AIMCo's *Responsible Engagement Guidelines* outline its process for engagement on ESG issues (up to and including exiting an investment). But AIMCo explicitly says it will not commit itself to a Paris-aligned portfolio and has no stated timebound Paris-aligned goals for its engagement of owned companies, rendering its climate engagement process essentially meaningless.

DETAILS**Expectations for owned companies**

AIMCo has itself made no commitment to net-zero emissions, and has not signalled to its owned companies that they must have credible net-zero pathways.

There is no indication that AIMCo prohibits owned companies from lobbying against climate action or from directing capital expenditure toward fossil fuel expansion. AIMCo does not require owned companies to tie executive compensation to the achievement of climate targets.

Proxy voting

AIMCo's *Proxy Voting Guidelines* express an expectation for companies to disclose how they are handling climate risk, and for investee companies to have "board oversight and appropriate expertise to adequately manage climate change-related risks" (p.14). The guidelines do not include a definition for "adequately managing" these risks, nor do the guidelines set the expectation that companies have net-zero targets and net-zero-aligned transition pathways.

AIMCo "may" vote against directors "where the issuer has failed to provide relevant climate-related disclosures, and/or insufficient action is being taken to address climate-related risks & opportunities" (p.14).

Collaborative engagement

AIMCo is a member of Climate Action 100+ and Climate Engagement Canada. But Shift could not identify any examples of AIMCo leading climate engagements through either of these initiatives.

Direction given to external managers

According to its *2021 Responsible Investing Report*, AIMCo completed "ESG due diligence" on external managers and monitors their ESG performance (p.8). But it is unclear what, if any, direction is given to external managers regarding climate.

Climate Integration

D

Accountable Paris-aligned membership

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

Transparency and disclosure of holdings

AIMCo's website provides a list of direct private equity investments, but otherwise provides only "featured investments" in its different asset classes.

Transparency and disclosure of climate risk

When asked in writing by beneficiaries to disclose its handling of climate-related risks (including questions about its high-carbon assets, its 1.5°C-aligned assets, examples of engagement with fossil fuel companies, and results of its climate scenario analysis), AIMCo responded eleven months later with a four-sentence response which did not address any of the questions posed.²

AIMCo's 2022 *Task Force for Climate-Related Financial Disclosures* report included discussion of climate scenario analysis, assessing the impacts of 1.5°C, 2°C, and 3°C global temperature increases on AIMCo's portfolio. It concluded that the 1.5°C scenario presented the greatest risk to the portfolio due to the speed of the transition required to achieve 1.5°C (p.10), which suggests that AIMCo's portfolio is overexposed to carbon-intensive industries that lack credible net-zero transition plans. AIMCo's scenario analysis also determined the physical risk to the portfolio to be constant whether global temperature rise is 1.5°C, 2°C, or 3°C. This appears to underestimate the physical climate impacts and other financial risks associated with greater temperature increases and could lead beneficiaries to believe their long-term financial interests are aligned with catastrophic levels of global heating. Scenario analyses by other Canadian funds lead to the opposite conclusion, finding that the cost of climate inaction far exceeds the cost of action and that their portfolios perform better in a 1.5°C scenario.

Board climate expertise and/or fossil fuel entanglement

AIMCo's *Board Experience and Competencies* are published, but climate expertise is not a required Board competency. AIMCo's 2020 *Strategic Response to Climate Change* notes that the "Board of Directors and Responsible Investment Committee are kept apprised of key climate trends, emerging best practices and related investment applications" (p.2). The 2022 *TCFD Report* states that "The AIMCo Board Education Program shares education materials and external learning opportunities on climate change" (p.4). The 2021 *Responsible Investing Report* makes no mention of Board, executive, or staff education or professional development related to climate.

Two AIMCo Directors, composing 18% of its board, have fossil fuel entanglements. Jackie Sheppard sits on the boards of ARC Resources, Emera Energy (Board Chair) and Suncor. Lorraine Mitchelmore sits on the boards of Suncor and Cheniere Energy.³

Executive compensation and climate

Disclosed information provides no indication that AIMCo links its executive or staff compensation to the achievement of climate-related targets.

Fossil Fuel Exclusions

F

None.

In September 2022, AIMCo reiterated an explicit intent to *further* invest in fossil fuel companies.⁴ It has no exclusions on new investments in coal, oil, gas or pipelines, and has implemented no requirement for its owned fossil fuel investments to demonstrate how their business models are aligned with the goals of the Paris Agreement.

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

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

- Canadian Coalition for Good Governance
- Carbon Disclosure Project
- Climate Action 100+
- Climate Engagement Canada
- International Corporate Governance Network
- Investor Leadership Network
- Partnership for Carbon Accounting Financials
- Task Force on Climate-Related Financial Disclosures
- Principles for Responsible Investment
- Responsible Investment Association
- Sustainable Finance Action Council

Self-reported assets linked to climate solutions*

\$14 billion, or 8.3% of AUM (December 31, 2021)**

Estimated investments in fossil fuels

At least \$8 billion, or 4.8% of AUM (December 31, 2021)***

Notable fossil fuel holdings (not a comprehensive list)

- A joint 65% stake in the Coastal GasLink pipeline.⁵
- An 85% stake in the Northern Courier pipeline.⁶
- An 87% stake⁷ in Howard Midstream Energy (one of AIMCo's top five infrastructure holdings as of December 31, 2021).⁸

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

** AIMCo reported in its 2022 *TCFD Report* (p.2) \$14 billion in green investments, "defined based on generally accepted definitions of 'green investments', such as the OECD's Annual Survey of Large Pension Funds and Public Pension Reserve Funds and includ[ing]: equity investments in pure play green companies, labelled green bonds, investments in renewable energy in private infrastructure, private renewable resources investments which includes forestry and agriculture, and Canadian and U.S. commercial real estate investments with green building certifications."

*** AIMCo does not disclose a list of total investments in fossil fuels. This estimate is drawn from numbers provided in AIMCo's 2021 *Annual Report* related to utilities, integrated utilities, energy, pipelines and midstream.

ENDNOTES

- 1 Jones, J. (2022, September 21). *AIMCo not divesting from fossil fuels, chief executive Siddall says*. The Globe and Mail. <https://www.theglobeandmail.com/business/article-aimco-evan-siddall-interview/>.
- 2 AIMCo. (2022, August 31). *AIMCo Response Letter August 2022*. Shared at https://drive.google.com/file/d/1p_cTVCyK-1JKVrTOKV1GpkuYpoui3eN/view. See also: Shift Action for Pension Wealth and Planet Health. (2021, September 29). *Beneficiaries warn Canada's largest pensions of legal duty to manage climate-related financial risks*. www.shiftaction.ca/news/2021/9/29/beneficiaries-warn-canadas-largest-pensions-of-legal-duty-to-manage-climate-related-financial-risks.
- 3 DeRochie, P. (2022, May 5). *Climate-conflicted pension managers: The oil & gas insiders overseeing Canadians' retirement savings*. Shift Action for Pension Wealth and Planet Health. P.17. Downloaded from <https://www.shiftaction.ca/climateconflicted>.
See also: Jones, J. (2022, July 18). *Suncor to explore Petro-Canada sale as part of corporate shakeup triggered by activist investor Elliott Investment*. The Globe and Mail. <https://www.theglobeandmail.com/business/article-suncor-elliott-investment-management-deal/>.
- 4 Jones, J. (2022, September 21). *AIMCo not divesting from fossil fuels, chief executive Siddall says*. The Globe and Mail. <https://www.theglobeandmail.com/business/article-aimco-evan-siddall-interview/>.
- 5 Alberta Investment Management Corporation. (2019, December 26). *AIMCo Announces Investment in TC Energy Coastal GasLink Pipeline Project*. [Press release]. www.newswire.ca/news-releases/aimco-announces-investment-in-tc-energy-coastal-gaslink-pipeline-project-848394253.html.
- 6 Alberta Investment Management Corporation. (2019, May 28). *AIMCo Announces Investment in Northern Courier Pipeline*. [Press release]. www.newswire.ca/news-releases/aimco-announces-investment-in-northern-courier-pipeline-867917539.html.
- 7 AIMCo. (2022, November 8). *Alberta Investment Management Corporation Expands Its Ownership of Howard Energy Partners*. [Press release]. www.aimco.ca/insights/expanded-ownership-howard-energy-partners.
- 8 Alberta Investment Management Corporation. (2022, June 30). *Performance for a Purpose. 2021 Annual Report*. P.21. annualreports.aimco.ca/2021/.

REFERENCES

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

Reports

- [2021 Annual Report](#) (June 2022)
- [2020 Annual Report](#) (June 2021)
- [2021 Responsible Investment Report](#) (Nov 2021)
- [TCFD 2022 Report](#) (December 2022)
- [TCFD 2021 Report](#) (Nov 2021)
- [Stewardship Report](#) (October 2022)

Documents

- [AIMCo Strategic Response to Climate Change](#) (approved April 30, 2020)
- [Responsible Investment Policy](#) (effective January 29, 2020)
- AIMCo. (2022, April). [Board Experience & Competencies](#).
- [Proxy Voting Guidelines](#) (January 2022)
- [Responsible Investment Engagement Guidelines](#) (April 2021)
- [AIMCo Realty Green Financing Framework](#) (September 2021)
- [Investment Exclusion Guidelines](#) (February 2021)
- [Our Strategy - 2022 and Beyond](#) (accessed July 2022)

Webpages and press releases

- [Governance](#) (webpage) (accessed July 2022)
- [Responsible Investing Highlights](#) (webpage) (accessed July 2022)
- [Responsible Investing](#) (webpage) (accessed July 2022)
- [Q4 & Year-End 2021 Investment Performance](#) (April 2022)