PRESS RELEASE
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Shift Action for Pension Wealth and Planet Health

NEW REPORT: Canada's largest pensions are moving too slowly to address the climate crisis.
Documented pattern of Canadian pension executives ignoring stranded asset risks, while Canadian pension managers lag behind international peers

Toronto, ON | Traditional territories of the Huron-Wendat, Anishnaabeg, Haudenosaunee, Chippewas and Mississaugas of the Credit First Nation - Today, Shift released its annual ***Canadian Pension Climate Report Card***, an independent benchmark for evaluating the quality, depth and credibility of climate policies for 11 of Canada's largest pension managers.

This second edition finds that despite incremental progress, Canadian pension funds remain off track, especially compared to international peers. Far more work is needed to ensure Canadian pension managers fulfill their fiduciary duty to invest in plan members' long-term interests and protect Canadians' retirement security in a pathway aligned with the Paris Agreement goal of limiting global heating to 1.5°C.

"Despite a summer that saw smoke-filled skies blanket Canadian cities and some of the worst air quality in the world, last year most of Canada's pension managers acted as though climate action is not an urgent concern," said Laura McGrath of Shift Action for Pension Wealth & Planet Health. "For the majority of Canadian pensions, there is a mismatch between the incremental pace of climate progress and the need for urgent action to prevent irreversible climate breakdown. What more will it take for Canadian pensions to recognize that their legal mandates will be impossible to fulfill in the long-term unless the climate is stabilized at safe temperatures?"

Four of the eleven Canadian pension funds in the report still do not have emissions reduction targets for 2030 or 2050. Developing and implementing credible, climate-aligned plans is urgently needed to protect both Canadian pensions and the wider financial system from the worsening climate crisis.

Shift's benchmark measured incremental progress from most Canadian funds in 2023. The biggest improvements came from the Ontario Municipal Employees Retirement System (OMERS) and the Healthcare of Ontario Pension Plan (HOOPP), funds that were previously far behind but in 2023 finally released climate strategies. The Canada Pension Plan Investment Board (CPPIB), on the other hand, was the only fund manager with *lower scores* in 2023, due to a pattern of problematic public statements and new fossil fuel investments that are not aligned with a credible, science-based net-zero plan.

Canadian pensions, CPPIB in particular, continue to flow billions in Canadians' retirement savings into the primary cause of the crisis: fossil fuels. Rather than heeding expert advice from the International Energy Agency and acknowledging the scientific consensus on the need for the phase-out of fossil fuels, pension managers continue to place high-risk bets against a safe climate future. Shift's report documents a pattern of pension fund executives and boards clinging to dangerous myths about the future role of oil and gas in the energy transition. This risks pension members' retirement savings becoming tied up in stranded assets.

Perhaps Canadian pension funds' penchant for fossil fuels should not be surprising. The report found seven of the 11 pension managers analyzed have at least one director/trustee who is concurrently a director or executive of a fossil fuel company.

Behind international peers

The report also evaluates and contrasts three leading international pension funds investing on behalf of members in the United States, France, and the Netherlands, revealing that even the highest-ranked Canadian funds continue to lag their international peers.

"Leading international pension funds recognize there is no credible or profitable pathway for engaging fossil fuel producers to act in line with climate safety," said Patrick DeRochie of Shift Action for Pension Wealth & Planet Health. "These international funds have each moved to screen out new fossil fuel investments while phasing-out existing holdings, shifting an increasing share of capital into safer, cleaner and rapidly growing investments in climate solutions. Canadian pension managers need to catch up – and stop pouring members' retirement savings into companies that are accelerating the climate crisis."

While many Canadian pension funds put increased emphasis in 2023 on climate engagement of held companies, the quality and ambition of these engagement strategies varied widely. Effective climate engagement is an essential tool for pension funds to align their portfolios with climate safety, but few funds are realistic about its limitations. Short of a managed phase-out of production and early retirement of assets, alongside plans to return capital to shareholders, fossil fuel companies do not have credible or profitable Paris-aligned transition pathways. The UN Secretary-General's High-level Expert Group on Net-Zero Commitments, chaired by former Environment Minister Catherine Mckenna, has been clear that non-state actors "cannot claim to be net zero while continuing to build or invest in new fossil fuel supply."

As the global climate crisis worsens and the energy transition ramps up, Canada's pension managers must rethink the ways they invest the retirement savings entrusted to them. Managing the associated risks and opportunities requires pension managers to develop and implement credible climate plans and policies that defensively guard against losses, proactively capture opportunities, and fully align their overall investment and stewardship strategy with climate science.

Read the full report and analysis here.

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Shift Action for Pension Wealth and Planet Health is a charitable initiative that works to protect pensions and the climate by bringing together beneficiaries and their pension funds to engage on the climate crisis. Shift is a project of MakeWay Canada

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