shift ACTION FOR PENSION WEALTH AND PLANET HEALTH

2023 CANADIAN PENSION CLIMATE REPORT CARD

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ABOUT SHIFT

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 on the climate crisis. We help Canadians understand where their retirement wealth is invested by tracking pension fund investments and climate policies. We educate and empower Canadians on how to engage constructively with their pension funds. Now is the time for Canada's pension funds to shift their investment approach and invest in a prosperous zero-carbon future. https://www.shiftaction.ca/

ABOUT MAKEWAY

Shift is a project on MakeWay's shared platform, which provides operational support, governance, and charitable expertise for changemakers. The shared platform enables more time and money to go towards achieving greater impact. MakeWay is a national charity that builds partnerships and solutions to help nature and communities thrive together. https://makeway.org/

ABOUT MELONTREE

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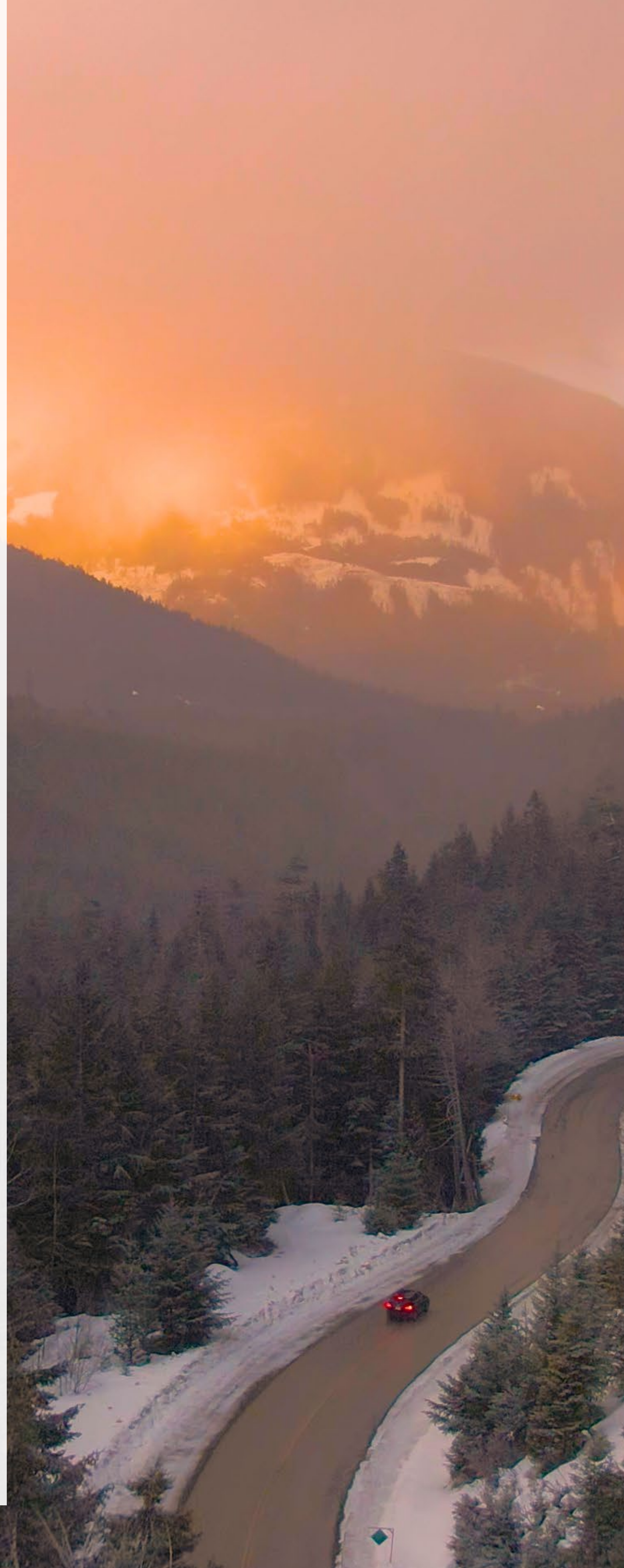


INTRODUCTION

The year 2023 marked a spike in urgency to address the climate crisis, as critical planetary environmental functions and life support systems were pushed outside the safe operating space for humanity, largely due to the continued emission of greenhouse gases from the burning of oil, gas and coal.[1]

This hottest ever year on record triggered extreme weather with devastating impacts, including droughts, fires, floods and storms around the world, harming ecosystems, people, communities and the global economy at levels never before recorded.

Reaction to these climate shocks did not, however, translate into commensurate action from Canada's largest pension managers to protect their members' retirement security by aligning their investments with safe emissions pathways and developing and implementing credible climate plans. This is troubling because pension funds have an inherently long-term investment horizon and a fiduciary duty to protect the interests of all of their members, including their youngest contributors, who won't be retiring for several decades. These contributors are especially vulnerable to climate risks, meaning that ambitious climate plans are required immediately.

Shift was encouraged to record positive yet incremental progress from several major Canadian pension funds in 2023. But overall, Canada's pension sector remains misaligned with the scientific imperative to limit global heating to as close to 1.5°C as possible, in line with the goals of the Paris Agreement, the legally binding international treaty on climate change agreed in 2015.

In 2023, the international community finally named the primary culprits behind the climate crisis: oil, gas and coal production and consumption.[2] But Canadian pension funds still seem to have missed this message, with not a single one acknowledging the urgent need to phase out fossil fuels. Despite a few encouraging examples of leadership, Canada's largest pension funds continue to invest their own members' retirement savings in companies that are accelerating the climate crisis, while delaying efforts to confront this unprecedented threat.

Some Canadian pension funds have created ambitious climate strategies, stringent emissions reduction targets and smart plans to decarbonize high-carbon assets, and are starting to advocate for robust government climate and energy policies that drive down emissions while providing certainty for companies and investors. Yet other fund managers have only begun to grapple with the implications of

the urgent, transformative investment and asset management decisions that need to be made to ensure their members can count on their pensions in a safe climate future.

Inconsistent disclosure of assets, a lack of transparency around fossil fuel holdings, and the obfuscation of "green assets" and "transition assets" makes a comprehensive assessment of pension fund climate risk nearly impossible. Greenwashing remains commonplace, and some pension funds, including the Canada Pension Plan Investment Board (CPPIB), continue to make risky investments in fossil fuel expansion and to propagate dangerous myths about the role of the oil and gas industry in the energy transition.

In this second edition of our flagship *Canadian Pension Climate Report Card*, Shift applies our independent benchmark for evaluating the quality, depth and credibility of pension fund climate plans in 2023 based on the latest science and international best practice. Such plans are required to safeguard pensions over the long-term in line with the legal fiduciary responsibilities of pension funds. With this report card, we aim to educate pension managers, pension directors and trustees, plan members, sponsors and other stakeholders on climate progress to date while highlighting best practices and emerging leadership.

A Warming World, a Changing Landscape

Few Canadians were spared the impacts of a warming world in 2023. An estimated 18.5 million hectares of land were consumed by fire, shattering the previous record of 7.6 million hectares scorched in 1989. The emissions from Canada's wildfires totaled 480 megatonnes, over 70% of the combined emissions from every human-caused source in the country in 2022.[3]

At the same time as physical impacts worsened, the energy transition away from fossil fuels continued its rapid acceleration, driven by enabling policies and powerful economies of scale that led leading energy analysts to forecast, for the first time ever, global peaks for coal, gas and oil demand before the end of this decade.[4]

These parallel but related forces — a worsening global climate crisis and an accelerating energy transition to address it — require Canada's pension funds to rethink the way they invest the retirement savings entrusted to them. The core task of pension managers — to prudently manage assets in the best long-term interest of their beneficiaries — has become much more complicated as the window for decisive climate action shrinks.

At the macro level, pensions rely on a stable financial system and consistent economic growth to drive the long-term returns needed to meet their obligations. But the climate crisis creates new, compounding, and unpredictable headwinds to that stability and growth, casting doubt on long-term global market returns.[5] At the same time, the risk and opportunity profile of specific economic sectors and companies is being reshaped.

Traditional investments in business models reliant on long-term fossil fuel dependency contribute to the climate crisis, exacerbating economic headwinds and undermining the stability of the financial system itself.[6] They also expose pensions to unacceptable levels of stranded asset risk, as the only credible pathway to decarbonization for fossil fuel companies is the phase-out of production and early retirement of assets.[7]

The prospects for the strongest investment returns have shifted into new sectors that deploy proven climate solutions at scale. Clean energy technologies like renewable energy, battery storage, heat pumps, and electric vehicles are now out-competing fossil fuels on cost, speed, flexibility, efficiency and societal benefit across global markets. This is happening at unprecedented speed and brings significant long-term implications.[8]

Managing these risks and opportunities requires that pension managers 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. It also requires that pension managers consider the climate stability and ecological health of the world into which their members will retire, with scientists warning that only swift and drastic action can avert irreversible damage to the world within our lifetimes.[9]

What's in This Report

The report focuses on 11 of Canada's largest pension managers, including the so-called Maple 8, which collectively manage more than $2.2 trillion in retirement savings on behalf of over 27 million Canadians.[10]

This year we have again included analysis of a set of international pensions to illustrate what ambitious climate leadership can look like and how international funds are taking the required actions to protect pensions and the climate.

The pension funds and investment managers analyzed in this report are:

Canada:

- Alberta Investment Management Corporation (AIMCo)
- British Columbia Investment Management Corporation (BCI)
- Caisse de dépôt et placement du Québec (CDPQ)
- Canada Pension Plan Investment Board (CPPIB)
- Healthcare of Ontario Pension Plan (HOOPP)
- Investment Management Corporation of Ontario (IMCO)
- Ontario Municipal Employees Retirement System (OMERS)
- OPSEU Pension Trust (OPTrust)
- Ontario Teachers' Pension Plan (OTPP)
- Public Sector Pension Investment Board (PSP)
- University Pension Plan (UPP)

International:

- Stichting Pensioenfonds ABP (ABP) (Netherlands)
- Ircantec (France)
- New York City Public Pensions (United States)

The report is based on publicly available information available to December 31, 2023, except where otherwise noted. Sources and references are provided in each pension manager's analysis.

To assign letter grades for each climate category, Shift assessed publicly available information against a scoring rubric. For details, see Appendix A.

How to Use This Report

Pension trustees, directors and leadership will want to examine why their pension fund scored as it did and where it can improve: they can find this information by following the links to detailed analyses for each of 11 Canadian pension funds. For examples of leading approaches to climate-related risks, these readers will also want to read the analyses for leading Canadian funds and the three international funds included in this report.

Pension sponsors can use the analysis of their pension manager's scores to cut through the fund's glossy sustainability reports and get an objective perspective on how the fund is actually performing on its approach to the climate crisis. These readers will be able to understand where the fund has made progress and identify areas where the fund needs to be pushed to improve.

Pension staff may have used last year's report card to identify areas for improvement and implement new policies, processes, risk management tools and targets. It is our hope that pension staff will see their efforts to ensure climate alignment reflected in this year's report, and that staff can also use this year's scores and analyses to push for further climate integration and more ambitious, Paris-aligned strategies. The detailed analyses for funds with higher scores on particular indicators will help staff identify practices that their fund could incorporate. Finally, the analyses from international funds and some Canadian leaders provide an inspiring glimpse of what's possible for a pension fund that truly grasps and responds to the urgency of the climate crisis.

Pension contributors and beneficiaries need to know if their pension fund is just feeding them greenwashed talking points, or if it has actually grasped that a safe climate is in its members' best interests and that the ability to pay pensions depends on a stable climate. Pension members can see how their fund has scored overall and in comparison to other funds, which is summarized in "Pension Fund Climate Scores" below. For details of why the pension fund scored as it did and how it can improve, beneficiaries can follow the link to the detailed analysis for their fund.

We hope this benchmark will be used constructively to evaluate and improve climate plans for all Canadian pension managers, who collectively manage over $4 trillion.[11]

Pension Fund Climate Scores

For a detailed analysis of each fund and its scores, click on the fund's name in the table below (opens a webpage).
Pension funds are ordered from best to worst score.

TABLE 1: PENSION FUND CLIMATE SCORES							
OVERALL SCORE		Paris-Aligned Target	Interim Targets	Climate Urgency	Climate Engagement	Climate Integration	Fossil Fuel Exclusions
CDPQ	B+	A-	B	A	B-	B+	B-
UPP	B+	A	B	A	A-	B+	D+
OTPP	B	A-	B	A	B+	B-	F
IMCO	B-	A-	B-	B+	B-	B-	C-
OMERS	C+	B+	B-	C+	C-	C+	D
HOOPP	C	B-	C+	C+	D	C	D
PSP	C	F	B-	B+	C+	C+	F
BCI	C-	F	D+	C+	B	C+	F
CPPIB	C-	C	F	C	B-	C+	F
OPTrust	C-	B-	C-	C+	D+	C	F
AIMCo	D	F	F	C-	D-	D+	F
INTERNATIONAL FUNDS							
ABP	A-	A-	A	A	B	B	A-
Ircantec	A-	A	B+	A	A-	B	A
New York City	A-	A	B+	A	A-	B	A-

Summary of Measurable Climate Progress

CANADIAN LEADERS

Last year, Shift found that a group of pension funds had pulled into the lead in Canada, with more detailed and complete climate plans than their peers. Overall, these Canadian leaders made helpful but modest tweaks and improvements to their climate strategies in 2023, with little impact on their overall scores. While the climate actions of these funds outperformed other Canadian pensions, they continue to lag a number of their international peers.

Notable progress this year included:

Caisse de dépôt et placement du Québec (CDPQ) maintained its position as a climate leader among Canadian pension managers, completing its divestment of oil production, refining and coal mining in 2022; achieving its interim targets in carbon emissions intensity reduction; financing and stewarding the decarbonization of carbon-intensive companies, particularly coal utilities; and increasing its investments in low-carbon assets to $47 billion. CDPQ also co-filed a climate-related shareholder proposal at the annual general meeting of a large emitter, although an analysis of CDPQ's votes on select 2022 climate-related shareholder resolutions demonstrated that the Quebec pension manager supported a surprisingly low number of resolutions at other companies.

Shift encourages CDPQ to go further by releasing a timeline and plan for the managed phase-out of its existing oil pipeline and fossil gas assets, and fully aligning its portfolio with the recommendations of the *United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities*.[12] (See our detailed analysis of CDPQ.)

University Pension Plan (UPP) continues to be a climate leader among Canadian pension funds and has demonstrated above-average transparency in disclosing to beneficiaries how it is managing climate-related risks. The fund has committed to net-zero *by 2040*, released an ambitious *Climate Stewardship Plan* in 2023, and set a modest target to invest at least $1.2 billion in climate solutions by 2030. UPP publicly and repeatedly acknowledged that its ability to generate returns depends on a stable climate and that its investments impact the climate. However, UPP has thus far failed to place exclusions on fossil fuel investments, with the exception of a weak coal exclusion policy. (See our detailed analysis of UPP.)

Investment Management Corporation of Ontario (IMCO) has emerged as a Canadian leader, improving its score in three of six categories between 2022 and 2023 as it works to implement its climate action plan. IMCO has ambitious climate-related targets, lays out clear climate-related expectations for investee companies, and is one of the few Canadian pension funds to report its scope 3 emissions. IMCO had 11% of its assets under management (AUM) invested in climate solutions in 2023, and stands out as the only fund with a 2030 climate solutions target expressed as a percentage of AUM. IMCO also has an investment exclusion on thermal coal and Arctic oil and gas projects, although the fund's "climate guardrails" are confusing. (See our detailed analysis of IMCO.)

Ontario Teachers' Pension Plan (OTPP) remains a climate leader among Canadian pension funds, reporting $34 billion invested in green assets in 2023 and with ambitious interim targets to reduce the emissions intensity of its portfolio. OTPP is aligning its climate strategy reporting with its annual reporting process, and therefore did not release substantive climate-related updates in 2023. Its score in this report card therefore remains unchanged between 2022 and 2023. Shift looks forward to OTPP providing a comprehensive update to its climate strategy in 2024. (See our detailed analysis of OTPP.)

None of the Canadian pension funds, due to their ongoing failure to acknowledge that fossil fuel investment is incompatible with net-zero goals and their fiduciary responsibility to minimize financial risk, has yet to match the climate ambition of leading international peers included in this year's ranking (**ABP, Ircantec, and New York City pensions**).[13] Only CDPQ approaches this ambition, having excluded and exited upstream oil investments. (See our detailed analyses for ABP, Ircantec and New York City pensions.)

MOST IMPROVED

While the leading group of Canadian pensions made relatively modest improvements, the most significant progress measured in 2023 came from funds that were previously far behind, particularly OMERS and HOOPP.

The **Ontario Municipal Employees Retirement System (OMERS)** achieved a full letter grade improvement with the release of its first *Climate Action Plan* in September, backing up its 2021 net-zero commitment with additional interim targets and important progress on some of the policies required to get on track. Details included joining some leading funds by disclosing a link between executive compensation and climate targets, setting goals for requiring carbon-intensive companies to have credible net-zero plans, committing to have $30 billion invested in green assets by 2030, putting limits on the use of carbon offsets and placing a modest exclusion on coal investment. (See our detailed analysis of OMERS.)

The **Healthcare of Ontario Pension Plan (HOOPP)** also jumped a full letter grade with the release of its *Climate Strategy* in March 2023, which included a 2030 emissions intensity reduction target, an exclusionary screen on new direct investments in private thermal coal and oil exploration and production companies by 2025, a commitment to allocating $23 billion to green investments by 2030, and an incomplete target for 50% of its infrastructure and private equity portfolio AUM to be covered by credible transition plans by 2030. HOOPP also disclosed a climate-compensation link and took steps to build climate-related governance capacity.[14] (See our detailed analysis of HOOPP.)

INCREMENTAL PROGRESS

The **Public Sector Pension Investment Board (PSP)** is demonstrating an increasingly sophisticated approach to measuring, reporting and managing climate-related financial risks and encouraging portfolio companies to develop credible climate plans, while growing investments in climate solutions. This includes positive steps to engage owned companies to develop science-based transition plans, including a new "watchlist" of high-carbon companies and hard-to-abate assets without transition plans. PSP has also signalled a willingness to "consider" divesting from high-carbon assets without transition plans, but has yet to put a clear fossil fuel exclusion policy in place. PSP's ongoing lack of a credible Paris-aligned commitment remains a significant drag on the credibility of its climate plan and overall score. (See our detailed analysis of PSP.)

The **British Columbia Investment Management Corporation (BCI)** moved from a D+ to a C-, largely from the introduction of its strengthened proxy voting guidelines as part of a detailed and transparent investor engagement framework. Unfortunately, BCI continues to lack basic Paris-aligned commitments for its own portfolio, undermining the effectiveness and credibility of its engagement and its overall approach to climate-related risks. (See our detailed analysis of BCI.)

The **OPSEU Pension Trust (OPTrust)** also improved its score from a D+ to a C- with its release of a climate strategy update, which included a modest 2030 emissions reduction target that was less ambitious than its peers. OPTrust also improved disclosures around its process for aligning the fund (which is largely invested through external fund managers) with climate targets over time. (See our detailed analysis of OPTrust.)

CPPIB'S SOPHISTICATED BUT CONTRADICTORY APPROACH TO THE CLIMATE CRISIS

The **Canada Pension Plan Investment Board (CPPIB)** is taking positive steps to assess the financial risks of climate change and navigate Canada's national pension fund through the energy transition. CPPIB has a net-zero emissions commitment that uniquely includes all three emissions scopes, has built specialized cross-organizational climate expertise to identify profitable pathways for portfolio companies to decarbonize, and is making big and growing investments in "green and transition assets."

But CPPIB remains one of the only pension funds in this report that has yet to set interim portfolio emissions reduction targets. Its position in our ranking did not improve in 2023 due to a continuing pattern of troubling public statements and fossil fuel investments that are inconsistent with a credible, science-based net-zero plan. CPPIB is the only fund assessed in this report card that received a lower score in any category than the previous year, with its "Climate Urgency" score dropping from a B to a C. (See our detailed analysis of CPPIB.)

CPPIB continues to invest new capital in fossil fuel expansion while waffling on its communication of climate urgency and downplaying the systemic, existential nature of the climate crisis and the outsize role that CPPIB must play as a half-trillion dollar pension manager in keeping global temperature increases within safe limits. Fund executives veer from the CPPIB's mandate by regularly making inappropriate comments regarding the supposed need to continue supporting fossil fuels. They pretend that oil and gas producers have credible and profitable transition pathways without explaining how these positions are in the best interests of plan members. Although other high-carbon assets may have credible and profitable transition pathways that justify continued investment, oil and gas producers do not. These comments suggest that CPPIB may be prioritizing the interests of fossil fuel companies over the interests of plan members and misleading stakeholders about what is needed to achieve CPPIB's climate targets. (See *Industry Capture? CPPIB is not shy about spouting oil industry talking points*, part of this report's CPPIB analysis.)

AIMCO: ALONE IN LAST PLACE

With most Canadian funds now having at least a partial climate framework in place, the **Alberta Investment Management Corporation (AIMCo)** sits alone at the bottom of the ranking, having failed again to commit to measurable goals that could align its portfolio with climate safety. Despite the February 1, 2024, publication of its brief *Climate Approach*, the investment manager has yet to disclose the basic elements of a credible climate plan, including long-term and interim targets, or meaningful information on climate engagement. With this absence of strategy and disclosure, Albertans have reason to be concerned that their pension manager may not be prepared to responsibly guide its portfolio through the substantial risks and opportunities of the energy transition in coming years. (See our detailed analysis of AIMCo.)

INTERNATIONAL LEADERSHIP

Canadian pension fund climate plans continue to lag their international peers. This year, Shift selected three ambitious international pension fund climate plans, each with different scale, location and composition that make them comparable to Canadian funds. These international plans have unique strengths and weaknesses, but all three meet the threshold to score an overall A– in this report card.

Stichting Pensioenfonds ABP (ABP) is a pension fund for government and education employees in the Netherlands. With €494 billion in AUM, it is the largest pension fund in Europe and among the five largest pension funds in the world. ABP received an overall score of A-. The fund's climate strategy includes a net-zero emissions target by 2050 and strong interim 2025 and 2030 goals. ABP has committed to selling all investments in fossil fuel producers before 2025, citing a lack of transition pathways and a lack of adequate investor influence. Notably, ABP has also set a 2030 absolute carbon reduction target for scope 1, 2 and 3 emissions across all asset classes. (See our detailed analysis for ABP.)

Ircantec is a smaller pension for federal and local public employees in France, with €11.5 billion in AUM. Ircantec has committed to reaching net zero greenhouse gas (GHG) emissions by 2050, in line with achieving the goals of the Paris Agreement. The fund has set an objective from 2021 onwards for reducing the emissions intensity of its

portfolio by 7% per year on average until 2050. The fund has also committed to allocate 20% of its assets to finance the energy and ecological transition by the end of 2024. (See our detailed analysis for Ircantec.)

New York City public pensions. Three of the pensions overseen by the New York City Comptroller — the New York Employees' Retirement System (NYCERS), New York City Board of Education Retirement System (BERS), and New York City Teachers' Retirement System (TRS) — have committed to achieve net-zero portfolio emissions *by 2040*. In addition to exceptional transparency and disclosure, the funds have created detailed *Net Zero Implementation Plans*, which include a commitment to incorporate scope 3 emissions into their targets. The funds have so far divested US$3.8 billion from fossil fuel companies. These pension funds are increasingly active owners, with a strong record of putting forward climate-related shareholder resolutions that demand ambitious climate action from polluting companies and their financiers. (See our detailed analysis for NYC.)

PHOTO: BEN DEN ENGELSEN, UNSPLASH

Key Findings

PARIS-ALIGNED TARGETS

A few laggards still haven't committed to net-zero emissions

Eight of the eleven Canadian pension managers analyzed in this report have committed their portfolios to reach net-zero emissions by 2050 or sooner. UPP sets itself apart from the pack with a net-zero *by 2040* commitment. CPPIB also gets a special mention for specifically including scope 3 emissions in its net-zero by 2050 commitment. AIMCo, BCI and PSP have yet to commit to net-zero emissions, although BCI and PSP state that they invest with the intention of supporting the global transition to net-zero.

Most pension funds now have climate plans

Ten of 11 Canadian pension managers have climate plans, with HOOPP and OMERS releasing their inaugural climate strategies in 2023, joining CDPQ, UPP, OTPP, IMCO, PSP, BCI, CPPIB and OPTrust, which released climate plans in 2022 or earlier. AIMCo released a *Climate Approach* in February 2024, but this document is not sufficiently robust to qualify as a climate plan.[15]

Significant variability exists in the quality of these climate plans, but most funds are at least moving to adopt a set of tools, processes and reporting structures to consider climate risk across their portfolios and collect better emissions data from portfolio companies. While these incremental improvements are essential from an organizational and operational standpoint, they do not match the pace and scale of the impacts of climate change and the pace of the energy transition. Not enough is being done across the board to align assets with net-zero.

Funds continue to cite the quality of data as an excuse to take a passive approach to the transition strategies of owned companies, but these data gaps are not credible barriers for immediate action. Every year that global emissions continue to rise will make it harder for pension funds to fulfill their mandate. Pension funds must increase their ambition, rapidly implement their climate plans and use every tool they have to push for stronger, faster climate action from portfolio companies and governments as part of their fiduciary responsibility to their beneficiaries.

Credible and accountable net-zero groups

As in 2022, only CDPQ, IMCO and UPP have confirmed the seriousness of their net-zero commitments by joining credible and accountable international investor groups with clear frameworks for achieving Paris alignment, such as the Net Zero Asset Owner Alliance and the Paris Aligned Asset Owners. While these investor groups have their shortcomings, they serve an important accountability function by creating standards for their members to meet in setting and achieving climate goals.[16]

Carbon offsets

While some international and Canadian funds have dismissed the use of carbon offsets as a credible tool for reducing their portfolio footprint, most Canadian pension managers have made no such statement. A positive example is OMERS, which acknowledged in its new climate plan that carbon offsets present challenges of credibility and permanence, and committed that offsets would not be used toward achieving interim emissions reduction targets. Shift will be watching for similar statements from OMERS' peers. CPPIB, on the other hand, has made investments in the carbon credit market, allows its portfolio companies to use offsets to justify their "carbon-neutral" claims, and includes the purchase of offsets as an emissions abatement option for companies in its *Abatement Capacity Assessment Framework*.[17]

Among the international pension leaders covered in this report, ABP's *Climate Policy* states: "Where we say 'reduction' of CO_2 (and other greenhouse gases), we mean real reduction, not CO_2 compensation."[18] Similarly, New York City's public pensions state that "To be clear, we seek real world decarbonization, not just portfolio decarbonization, and we will not rely on the sleight of hand of poor-quality carbon offsets to appear to lower our carbon footprint."[19]

Slacking on scope 3 and absolute emissions reporting and targets

There is a widespread and problematic gap in the Canadian pension sector when it comes to reporting the scope 3 emissions of its investments and setting absolute emissions targets.

Scope 3 emissions are the result of activities from assets not directly owned or controlled by a company, but that are released upstream or downstream of that company's value chain, such as when its products are used (e.g. tailpipe emissions from cars burning products made by oil companies).[20] Scope 3 emissions are a significant measure of climate-related risk, as meeting climate goals require these emissions to be rapidly eliminated. Having high scope 3 emissions is a signal that policy and technology changes are likely to disrupt a company's supply chain, affecting demand for its products and services in the future. Measuring and reporting on scope 3 is essential for investors to understand and manage their exposure to financial risk, as well as their alignment with climate goals.

None of the Canadian funds assessed in this report explicitly include portfolio scope 3 emissions in their net-zero commitments, except for CPPIB. However, some funds are beginning to report their scope 3 portfolio emissions. While funds cite barriers to scope 3 reporting, including data availability, quality, comparability, coverage, transparency and reliability, UPP and IMCO both reported scope 3 emissions for their portfolios for the first time in 2023.[21]

While CPPIB's net-zero commitment includes portfolio scope 3 emissions, the national pension manager reported that only 6-7% of its portfolio's scope 3 emissions are being directly reported by portfolio companies, so are not included in CPPIB's reporting.

Internationally, Ircantec's net-zero commitment includes portfolio scope 3 emissions for the energy and mining sectors as of 2022, and will integrate scope 3 emissions in the transport, construction, materials and industrial sectors by 2024, and all sectors by 2026.[22] New York City's public pensions have committed to set scope 3 emissions reduction targets in 2025.[23]

Similarly to scope 3 emissions, no Canadian pension fund has adopted portfolio-wide absolute emissions reduction targets.[24] OTPP reported a 3% reduction in its

portfolio's absolute emissions between 2019 and 2022, but this change is not tied to any target. AIMCo reported an increase in its portfolio's absolute emissions between 2021 and 2022, also unanchored from a reduction target. HOOPP and BCI both have a 50% by 2030 absolute emissions reduction target within their real estate portfolios.

Internationally, Dutch pension fund ABP has committed to reduce absolute CO_2 emissions in all asset classes by 50% below 2019 levels by 2030, including scopes 1, 2 and 3 financed emissions.[25]

To demonstrate that they are adequately managing climate risks and aligning their portfolios with their net-zero commitments, pension funds should measure and report both emissions intensity and absolute emissions, and set short-, medium- and long-term emissions reduction targets that include portfolio scope 3 emissions. Focusing only on emissions intensity means that it is possible for a fund's absolute emissions to grow even if its emissions intensity decreases, as all pension funds work to increase the value of their total AUM over time. Achieving net-zero objectives requires rapid decreases in both emissions intensity and absolute emissions.

INTERIM TARGETS

Short- and medium-term emissions intensity reduction targets

UPP, CDPQ and OTPP continue to lead the pack in setting ambitious 2030 targets to reduce the emissions intensity of their portfolios (see Table 2). All of the pension funds with interim targets generally appear to be on pace to achieve them on or ahead of schedule.

AIMCo and CPPIB, however, have set no interim emissions reduction targets. AIMCo, with no net-zero commitment, reported that both its portfolio's emissions intensity and absolute emissions were higher in 2022 compared to 2021. CPPIB, despite a net-zero commitment that covers scope 1, 2 and 3 financed emissions, has refused to set interim targets (neither absolute- nor intensity-based) and reported that its portfolio emissions are likely to increase in the near term. A lack of interim targets is at odds with the Paris Agreement, as it neglects to account for the significant reduction in emissions that must be achieved by 2030 and makes it virtually impossible to hold pension funds accountable for progress toward climate alignment.

TABLE 2: TOTAL PORTFOLIO EMISSIONS REDUCTION TARGETS

Scopes 1 and 2 only unless otherwise specified

Pension Manager	2025	2030	2050	Progress Reported Toward Targets in 2023
AIMCo	none	none	none	**No targets to report against.** Reported that both emissions intensity and absolute emissions for the portfolio were higher in 2022 than in 2021.
BCI	none	none	none	**No total portfolio targets to report against.** Public equities: BCI has committed to reduce the emissions intensity of its public equities portfolio by 30% below 2019 levels by 2025 and reported a 24% reduction.
CDPQ	**25% reduction in emissions intensity below 2017 levels (achieved in 2021)**	**60% reduction in emissions intensity below 2017 levels[1]**	net-zero	**Emissions intensity** Reported 53% below 2017 levels.
CPPIB	none	none	net-zero, with explicit inclusion of scope 3	**No interim targets to report against.** Reported that portfolio emissions are likely to increase in the near term.
HOOPP	none	**30% reduction in emissions intensity below 2021 levels*[2]**	net-zero	**Interim target set in 2023; has not yet reported progress toward target.** Real estate: HOOPP has committed to reduce absolute emissions by 50% below 2019 levels by 2030 in real estate assets over which the fund has operational control. HOOPP's 2022 *Real Estate Sustainability Report* reported 2022 levels compared to 2021 levels but did not report progress against 2019 levels.
IMCO	none	**50% reduction in emissions intensity below 2019 levels[3]**	net-zero	**Emissions intensity** Reported 40% below 2019 levels.
OMERS	**25% reduction in emissions intensity below 2019 levels (achieved in 2022)**	**50% reduction in emissions intensity below 2019 levels***	net-zero	**Emissions intensity** Reported 32% below 2019 levels.
OPTrust	none	**30% reduction in emissions intensity below 2022 levels***	net-zero	**Interim target set in 2023; has not yet reported progress toward target.**
OTPP	**45% reduction in emissions intensity below 2019 levels**	**67% reduction in emissions intensity below 2019 levels**	net-zero	**Emissions intensity** Reported 32% below 2019 levels. **Absolute emissions** Reported absolute emissions reduction of 3% below 2019 levels.
PSP	**20-25% reduction in emissions intensity below 2021 levels, by 2026**	none[4]	none	**Emissions intensity** Reported 11% reduction below 2021 levels. **Absolute emissions** Reported absolute emissions reduction of 22% between Fiscal Years 2022 and 2023.
UPP	**16.5% reduction in emissions intensity below 2021 levels[5]**	**60% reduction in emissions intensity below 2021 levels[5]**	**by 2040:** net-zero	**Emissions intensity** Reported 4% reduction below 2021 levels.

NOTES:

* Indicates commitment was made in 2023.

1 To date, CDPQ is not measuring Scope 3 emissions. CDPQ is a member of the Net Zero Asset Owner Alliance, whose guidance is to include Scope 3 emissions in sector targets where possible, and that Scope 3 be tracked in sub-portfolio targets. See https://www.unepfi.org/net-zero-alliance/resources/target-setting-protocol-second-edition/.

2 HOOPP did not express the goal in terms of a percentage reduction, but as a commitment to have "reduced our portfolio's carbon footprint to 28tCO2eq/$M, compared to our baseline of 41tCO2eq/$M at the end of 2021."

3 IMCO reported scope 3 emissions as of its 2022 ESG Report.

4 PSP has committed to develop additional targets for 2027-2050.

5 UPP reported scope 3 emissions for its portfolio as of its 2022 Annual Report.

TABLE 3: OTHER CLIMATE-RELATED TARGETS

Pension Manager	Other Climate-Related Targets	Progress Reported Toward Targets in 2023
AIMCo	**Energy transition and decarbonization investment*** $1 billion fund "dedicated to investing in the global energy transition and decarbonization sectors" (announced in early 2024, no target date)	**Energy transition and decarbonization investment** n/a
BCI	**Sustainable bonds** By 2025: $5 billion invested in sustainable bonds.	**Sustainable bonds** Reported over $4 billion invested.
	Mature net-zero aligned commitments for carbon-intensive investments By 2030: 80% of "carbon-intensive investments" to have "set mature net-zero aligned commitments... or are the subject of direct or collaborative climate engagement by BCI."	**Mature net-zero aligned commitments for carbon-intensive investments** No update.
CDPQ	**Investment in low-carbon assets** By 2025: $54 billion invested in low-carbon assets (using Climate Bonds Initiative criteria).	**Investment in low-carbon assets** Reported $47 billion invested. Additionally, CDPQ reported $37 billion invested in companies with a science-based decarbonization target certified by the Science Based Targets initiative.
	Decarbonization transition envelope $10 billion to decarbonize the heaviest carbon-emitting sectors (no target date).	Reported three investments made.
CPPIB	**Investment in green and transition assets** By 2030, $130 billion in "green and transition assets" (as per one or more of the following: International Capital Market Association Eligible Green Project sectors/sub-sectors, Climate Bonds Initiatives Taxonomy Paris Agreement criteria, Science-Based Targets initiative criteria).	**Investment in green and transition assets** Reported $79 billion invested.
HOOPP	**Green investments*** By 2030, $23 billion invested (Climate Bonds Initiative Taxonomy).	**Green investments** No baseline data reported.
	Credible transition plans* By 2030, 50% of infrastructure and private equity portfolios covered by credible transition plans.	**Credible transition plans** No baseline data reported.
	Emissions reporting* By 2025: 80% of assets providing reported emissions [scope 1 and 2] for more accurate measurement.	**Emissions reporting** No baseline data reported.
IMCO	**Climate solutions investment** By 2030, 20% of AUM invested in climate solutions (International Capital Market Association Green Bond Principles).	**Climate solutions investment** Reported 11% of AUM invested.
OMERS	**Credible net-zero transition plans*** By 2030, the 20 companies which contribute most to OMERS' financed emissions intensity will have credible net-zero transition plans.	**Credible net-zero transition plans** No baseline data reported.
	Green investment* By 2030, $30 billion invested ("some or all" alignment with International Capital Market Association Green Bond Principles, Climate Bond Initiative Taxonomy).	**Green investment** Reported $19 billion invested.
	Transition sleeve* $3 billion "for assets playing a key role in the global transition towards a lower-carbon economy" (no target date).	**Transition sleeve** No allocations reported.
OPTrust	**Climate evaluations on investment partners*** By 2025, "phase in climate evaluations on core, strategic investment partners."	**Climate evaluations on investment partners** n/a
	Enhanced climate due diligence* By 2025, "implement enhanced climate due diligence on 100% of new direct investments and external partner commitments."	**Enhanced climate due diligence** n/a
	Emissions data* By 2025, "engage with 100% of core, strategic investment partners and higher-risk directly owned assets to advocate for collection and reporting of emissions data," achieving coverage for over 75% of portfolio emissions.	**Emissions data** No baseline data reported.

* indicates commitment was made in 2023, or, in AIMCo's case, early 2024.

TABLE 3: OTHER CLIMATE-RELATED TARGETS (continued)		
Pension Manager	Other Climate-Related Targets	Progress Reported Toward Targets in 2023
OTPP	**Credible, science-based net-zero plan and targets, including scope 3 when material** By 2025, two-thirds of the portfolio's emissions covered by such plans and targets. By 2030, 90% of the portfolio's emissions covered by such plans and targets.	**Credible, science-based net-zero plan and targets, including scope 3 when material** No update reported.
	Green investments $50 billion invested (no target date) ("green investments are companies that generate clean energy, reduce demand for fossil fuels and build a sustainable economy").	**Green investments** Reported $34 billion invested.
	High carbon transition assets $5 billion to accelerate these assets' paths to decarbonization (no target date).	**High carbon transition assets** No update reported.
PSP	**Mature science-based transition plan** By 2026, assets representing 50% of the porfolio's carbon footprint will be covered by such a plan.	**Mature science-based transition plan** No update reported.
	Green assets By 2026, $70 billion invested in "low-carbon activities that lead to positive environmental impacts."	**Green assets** Reported $48.9 billion invested.
	Transition assets By 2026, $7.5 billion in "investments that have committed to make a substantial contribution to the low-carbon transition through the establishment of public targets and disclosure practices."	**Transition assets** Reported $7.8 billion invested.
	Reduce exposure to "carbon-intensive assets" By 2026, reduce $7.8 billion exposure to "high carbon or hard to abate assets with no evidence of a transition plan" by 50%.	**Reduce exposure to "carbon-intensive assets"** Reported exposure had increased to $12.7 billion, which PSP attributed to improved data collection and methodology and reclassification.
	Emissions data By 2026, obtain GHG data for 80% of in-scope portolio, with intention to add scope 3.	**Emissions data** Reported scope 1 and 2 data for 54% of assets in-scope.
	Sustainable bonds* By 2026, commit 10% of long-term debt financing to sustainable bonds.	**Sustainable bonds** Commitment made in 2023; has not yet reported progress.
UPP	**Climate engagement** Committed to engage the 20 highest emitting companies in its portfolio on climate.	**Climate engagement** Announced it would engage using its 2023-2025 *Climate Stewardship Plan* with 27 companies in three focus categories: 1) banks; 2) high-emitting Canadian companies; 3) oil companies with a significant impact on UPP's carbon footprint.
	Climate solutions* By 2030, $1.2 billion invested in climate adaptation or mitigation assets or climate solution funds (defined by referencing the EU taxonomy and Climate Bonds Initiative Standard).	**Climate solutions** No baseline data reported.

* indicates commitment was made in 2023, or, in AIMCo's case, early 2024.

Interim targets for investments in climate solutions

A growing number of Canadian pension funds are setting targets to increase investments in climate solutions (see Table 3). OTPP, CDPQ, CPPIB, PSP and IMCO had such targets in 2022 or earlier, while HOOPP, OMERS and UPP added modest 2030 climate solutions targets in 2023. AIMCo, OPTrust and BCI remain the only pension managers assessed in this report that do not have climate solutions investment targets, although BCI committed to invest $5 billion by 2025 in sustainable bonds.

IMCO continues to stand out as the only pension manager to set a climate solutions investment target as a percentage of AUM. Presenting climate solutions investment targets as an absolute number rather than as a proportion of AUM can make targets appear more ambitious than they are. CPPIB's $130 billion target for "green and transition assets" by 2030, for example, would amount to approximately 13% of the fund's projected AUM in 2030, a relatively small ratio compared to IMCO's commitment of 20% of AUM in climate solutions by 2030.

In many cases, pension managers are also putting in place clear definitions for what constitutes a climate solution, for example by using criteria based on the Climate Bonds Initiative, International Capital Market Association, or Science-Based Targets initiative. In other cases, figures are lumped together across categories, making claims of sustainable investments impossible to evaluate. For example, while CPPIB provides definitions for "green and transition assets", its $130 billion target obfuscates how much is "green" and how much is "transition." These distinct categories have very different risk profiles and should not be combined.

Green assets include investments directly in climate solutions, such as renewable energy or electric heat pumps, which fully align with achieving long-term climate goals. We are, however, concerned that some pension funds also include "green buildings" in their definition of green assets without explaining how exactly these assets are aligned with a net-zero pathway. What constitutes a "green building" is rarely defined by pensions in a way that can be consistently measured.

Transition assets can include existing high-carbon industries like steel, fertilizers, mining, chemicals and electrical utilities, which have the potential to innovate and achieve zero emissions, but only through significant and sustained long-term investment. However, fossil fuel companies do not qualify as transition assets. Other than phase-out of production or early retirement of their assets, they have no pathway to decarbonization.

To be credible, pension funds must provide full disclosure and clear definitions for what they consider climate solutions, as well as the metrics and data they are using to measure climate impact.

Transition portfolios

In 2022, OTPP and CDPQ earmarked funds to support the decarbonization of high carbon assets. In 2023, OMERS similarly announced a $3 billion "transition sleeve." In early 2024, AIMCo announced a $1 billion allocation to "energy transition opportunities."

CDPQ reported in 2023 that it had concluded three transactions from its $10 billion transition envelope. The transition envelope investments were largely electric utilities that have a plan to phase out coal, ramp up renewable energy, and invest in electricity transmission and distribution. Based on these companies' decarbonization plans, CDPQ expects the carbon footprint of these three investments to decrease by almost 60% by 2030 and close to 70% by 2035.

Shift generally supports this approach to decarbonizing high-carbon, hard-to-abate assets. These transition portfolios may mean that a fund's emissions increase in the short- to medium-term, which can still be consistent with a credible net-zero pathway. But it is critical that pension funds are providing this transition finance only to companies and sectors that have credible, science-based pathways to decarbonization. OTPP's focus on power generation, heavy industry, mining and transportation seems to align, as does CDPQ's investment in electric utilities with gas and coal-fired power generation assets, which can be phased out and replaced with renewable energy. But these transition portfolios should explicitly rule out oil and gas exploration and production companies and related infrastructure (e.g. refineries, export terminals and pipelines). Transition finance must not include activities that serve only to marginally reduce the emissions intensity of fossil fuels (e.g. carbon capture to reduce scope 1 and 2 emissions of oil and gas companies) while prolonging the use of these products. The energy

transition is, by definition, a systemic transition off fossil fuels, which must play a quickly diminishing role in any Paris-aligned future.

Other climate-related targets

Shift is encouraged to see pension funds setting a growing number of other climate-related targets to align their portfolios with net-zero emissions and track the progress of portfolio companies (see Table 3). For example:

- OTPP has a target for two-thirds of its portfolio's emissions to be covered by credible, science-based net-zero plans and targets, including scope 3 emissions where material, by 2025, and 90% by 2030;
- PSP has a target to obtain greenhouse gas data for 80% of its in-scope portfolio, with intention to add scope 3 emissions, by 2026; and
- HOOPP has a weak target for 80% of its assets to be reporting scope 1 and 2 emissions by 2025, and 50% of its infrastructure and private equity portfolio to be covered by credible transition plans by 2030.

Other pension funds are setting incomplete climate-related engagement targets. For example:

- BCI is aiming, by 2030, for 80% of "carbon-intensive investments" to have "set mature net-zero aligned commitments... or are the subject of direct or collaborative climate engagement by BCI;"
- OPTrust has a target to "engage with 100% of core, strategic investment partners and higher-risk directly owned assets to advocate for collection and reporting of emissions data," achieving coverage for over 75% of portfolio emissions, by 2025; and
- UPP has committed to engage the 20 highest emitting companies in its portfolio on climate.

COMMUNICATION OF CLIMATE URGENCY

There was generally a modest improvement across the Canadian pension sector in this scoring category between 2022 and 2023, with no pension manager receiving a D grade in 2023.

The exception is CPPIB, which saw its Climate Urgency score drop from a B to a C, the only fund to receive a lower score in this report card in any category. This is due to a continuing pattern of troubling public statements that criticize fossil fuel divestment and downplay the power and influence that the half-trillion-dollar pension manager can have in accelerating the energy transition. The statements suggest CPPIB may be prioritizing the interests of the oil and gas industry over the interests of plan members, rather than acknowledging that achieving CPPIB's net-zero target requires a rapid phase-out of fossil fuel finance. (To see CPPIB executive quotes, see *Industry Capture? CPPIB is not shy about spouting oil industry talking points*, part of this report's CPPIB analysis.)

Despite failing to commit to exclude fossil fuels in line with a net zero future, about half of Canadian pension funds now acknowledge the urgent, systemic, emergency nature of climate change and explicitly state their intention to accelerate real-world decarbonization. CDPQ, UPP and OTPP continue to stand out as leaders. UPP in particular acknowledges double materiality: the concept that not only is the portfolio exposed to climate-related risks and opportunities, but how the portfolio is invested also impacts the speed and scale of the energy transition (or, conversely, of the intensifying climate crisis).

Most pension funds fail to make this crucial connection. They use sophisticated tools and processes to measure and manage climate risk without stating that, as universal asset owners, they have an outsize role to play in accelerating the energy transition, influencing the trajectory of corporate emissions reductions, and communicating to plan members, plan sponsors, stakeholders, companies and governments that stabilizing global temperatures is necessary to fulfilling their mandate.

No acknowledgement of the urgent need to phase out fossil fuels

There is scientific consensus that limiting global heating to relatively safe levels requires a rapid phase-out of fossil fuel production and consumption. A large and growing coalition of scientists, health advocates, civil society organizations, authoritative international institutions, and local, regional and national governments are calling for an immediate end to fossil fuel expansion and a rapid phase-out of oil, gas and coal. While industry lobbying and the governments of oil-producing states prevented COP28 in Dubai from ending with a firm commitment to phase out fossil fuels, the global climate summit finally signaled the beginning of the end of the fossil fuel era and resulted in a global agreement to transition away from oil, gas and coal.[26]

It is in the interest of pension funds to acknowledge this scientific imperative and join the global call for a fossil fuel phase-out. Without a stable climate for plan members to retire into, it will be impossible for Canadian pension funds to fulfill their mandates. For institutional investors that by definition must take a long-term view to investing, it is problematic that Canadian pension funds are unable to acknowledge the need to phase out fossil fuels. This is not a political statement, but a physical reality.

UPP comes closest, stating its approach to climate change is "grounded in science and supportive of international agreements like the Paris Agreement of the Parties to the United Nations Framework Convention on Climate Change." The fund acknowledges that "UPP's ability to realize adequate investment returns and provide returns depends on a stable climate."[27] UPP's Senior Managing Director of Responsible Investing also told delegates at a CFA Institute conference in 2023 that "We really have this genuine belief and understanding that we need to have a stable climate to generate returns for our beneficiaries."[28]

But UPP, like every Canadian fund named in this report, falls short of naming what's required to preserve a stable climate: phasing out fossil fuels. Some Canadian climate leaders in this report, such as CDPQ and OTPP, make false statements about fossil gas being a "transition" fuel and enable investment decisions that expand and prolong the use of gas.

Other pension funds, namely CPPIB and AIMCo, seem to actively and publicly contradict the scientific consensus that a fossil fuel phase-out is required. AIMCo's CEO ended 2023 saying that "this no-hydrocarbon world, I think, is dreamland."[29] Similarly, CPPIB decided to mark the first day of COP28 by celebrating its oil and gas investments and profiling its portfolio companies increasing fossil fuel production.[30]

The Canadian pension sector's refusal to acknowledge the need for a fossil fuel phase-out stands in stark contrast to international leaders like Ircantec. The French pension fund clearly states that "In light of the climate emergency, Ircantec is stepping up its commitments to assign its reserves to the emission reduction pathway in line with a 1.5°C scenario, in keeping with recent forecasts made by the Intergovernmental Panel on Climate Change (IPCC) (August 2021 report), which stressed the urgent need to significantly and sustainably reduce greenhouse gas emissions to limit global warming; and the International Energy Agency (IEA) which underlined the need to cease developing the exploitation of fossil fuels in order to achieve the 1.5°C scenario."[31]

There may be reasons why Canada's largest pension funds are so hesitant to acknowledge this scientific imperative: the pension funds themselves hold billions of dollars worth of fossil fuel assets in public and private markets on five different continents, including oil and gas producers, fossil gas utilities, oil and gas pipelines, oil and gas and mineral rights royalty companies, and carbon capture utilization and storage infrastructure (see Table 4). Furthermore, seven of the 11 pension managers analyzed in this report have at least one director who is concurrently a director or executive of a fossil fuel company, raising troubling conflict of interest concerns.[32]

It is not within the mandates of pension funds to shield fossil fuel companies from the energy transition

Some Canadian pension funds made statements in 2023 about the energy transition that have little to do with fulfilling their mandates. For example, in its *Climate Action Plan*, OMERS rightly recognizes the "necessity to move away from fossil fuel dependency," but also makes a questionable claim that it must acknowledge a "balance between reducing fossil fuel supply and addressing society's demand for affordable, sustainable, and secure energy." This statement falsely implies that pursuing an energy transition and ensuring energy security are somehow in conflict. Rather, prudent investment in the energy transition helps reduce costs and improve energy security for society, while accelerating the phase-out of climate-damaging fossil fuels.[33] Prolonged exposure to high-risk fossil fuel assets to supposedly curate a "balance" in energy supply is not in line with OMERS' fiduciary responsibility to its beneficiaries.

Similarly, CPPIB staff and executives made frequent and repeated statements in 2023 that veer away from the pension manager's mandate to invest the assets of the CPPIB fund with a view to "achieving a maximum rate of return without undue risk of loss." CPPIB apparently also sees its role as helping oil and gas companies reduce marginal operational emissions instead of rapidly phasing out production in line with what is required to stabilize the climate at safe levels.[34]

Such statements sound more like a political justification to remain invested in the fossil fuel industry than anything to do with being a prudent pension manager, as CPPIB has not explained how these positions are in the best interests of plan members. They also seem to fit with a broader misunderstanding of the long-term impacts of the war in Ukraine on the energy transition (see sidebar, "Energy shocks accelerate the energy transition") .

(For a full list of CPPIB statements out of step with both climate science and its own mandate, see *Industry Capture? CPPIB is not shy about spouting oil industry talking points*, part of this report's CPPIB analysis.)

TABLE 4: MINIMUM FOSSIL FUEL INVESTMENTS - TOTAL ESTIMATES

Summary table. For details see individual pension fund analyses. Significant uncertainty arises in these numbers due to the difficulty of estimating values of private assets and a lack of full disclosure on the part of the pension funds.

Pension Manager	Privately Owned Fossil Fuel Assets	Value of Shares in Publicly Traded Fossil Fuel Companies	Estimated Total Fossil Fuel Investments Across All Asset Classes
AIMCo	87% stake in Howard Energy Partners. A joint 65% stake in the Coastal GasLink pipeline. An 85% stake in the Northern Courier pipeline. Joint ownership of TriSummit Utilities, which includes subsidiaries: - Apex Utilities Inc. (fossil gas utility in Alberta); - Eastward Energy (fossil gas distribution utility in Nova Scotia); - Pacific Northern Gas Ltd. (fossil gas distribution and transmission utility in northern British Columbia); and - Enstar Natural Gas (fossil gas transmission and distribution pipeline operator Alaska Pipeline Co., with a 65% interest in Cook Inlet Natural Gas Storage Alaska).	**$1.8 billion** (September 30, 2023)	**$5.3 billion - $9.8 billion** (December 31, 2022)
BCI	A 32% stake in Open Grid Europe. An undisclosed stake in Czech Gas Networks. Partial ownership of Nova Transportadora do Sudeste SA (NTS). A joint 80% stake in National Grid's gas transmission and net metering business. A 37% stake in Cleco Corporation. An undisclosed stake in Connaught Oil and Gas. An undisclosed stake in Corex Resources.	**$783.9 million** (September 30, 2023)	**$8.1 billion at minimum** (September 30, 2023)
CDPQ	35% stake in Transportadora Associada de Gás S.A. (increasing to 50% in 2024). 16.6% ownership interest in Colonial Pipeline. 79.9% ownership stake in Southern Star Acquisition Corporation, which owns and operates the Southern Star Central Gas Pipeline. 80.9% ownership stake in Énergir.	**$1.1 billion** (September 30, 2023)	**$24 billion** (December 31, 2022)
CPPIB	18% stake in Civitas Resources. 99% ownership of Wolf Infrastructure (Wolf Midstream and Wolf Carbon Solutions). 13.4% stake in Calpine. 90% stake in Teine Energy, 12% stake in Nedgia. 49.9% stake in Transportadora de Gas del Perú S.A. 43.5% stake in Nephin Energy / Corrib fossil gas field off the coast of Ireland. 98% ownership of Encino Acquisition Partners (Encino Energy). 35% stake in Williams Ohio Valley Midstream JV. 49% stake in Aera Energy. 72% stake in LongPoint Minerals, LLC and 44% stake in LongPoint Minerals II, LLC.	**$7.5 billion** (September 30, 2023)	**$21.72 billion - $63.35 billion** (September 30, 2023)
HOOPP	No disclosure beyond regulatory filings.	**$2.1 billion** (September 30, 2023)	**$2.1 billion at minimum** (September 30, 2023)
IMCO	5% co-ownership interest in Compaña Logistica de Hidrocarburos. Co-ownership of Calon Energy.	**$58 million** (September 30, 2023)	**$3 billion at minimum** (December 31, 2021)
OMERS	50% stake in BridgeTex. 25% stake in Exolum.	**$729 million** (September 30, 2023)	**$3.8 billion at minimum** (December 31, 2022)

TABLE 4: MINIMUM FOSSIL FUEL INVESTMENTS - TOTAL ESTIMATES (continued)

Summary table. For details see individual pension fund analyses. Significant uncertainty arises in these numbers due to the difficulty of estimating values of private assets and a lack of full disclosure on the part of the pension funds.

Pension Manager	Privately Owned Fossil Fuel Assets	Value of Shares in Publicly Traded Fossil Fuel Companies	Estimated Total Fossil Fuel Investments Across All Asset Classes
OPTrust	A private co-owner of Zenith Energy. 100% joint owner of Superior Midstream. Joined a consortium of investors in August 2020 to provide $1.5 billion in financing to Kineticor to construct the Cascade gas plant.	**No information available.**	**Not enough disclosure to make an estimate.**
OTPP	At least $200 million in Aethon Energy. At least $200 million in Aspenleaf Energy. At least $200 million in the state-owned Abu Dhabi National Oil Company's fossil gas pipelines. A 37.5% stake in SGN (Scotia Gas Networks). 100% ownership of HRG Royalty. A joint 69.4% stake in Società Gasdotti Italia S.p.A (SGI). Ownership of GRP Energy Capital.	**$91 million** (September 30, 2023)	**$7.4 billion - $10.1 billion** (December 31, 2022)
PSP	Joint ownership of TriSummit Utilities, which includes subsidiaries: - Apex Utilities Inc. (fossil gas utility in Alberta); - Eastward Energy (fossil gas distribution utility in Nova Scotia); - Pacific Northern Gas Ltd. (fossil gas distribution and transmission utility in northern British Columbia); and - Enstar Natural Gas (fossil gas transmission and distribution pipeline operator Alaska Pipeline Co., with a 65% interest in Cook Inlet Natural Gas Storage Alaska).	**$832 million** (September 30, 2023)	**$4.8 billion - $12.7 billion** (March 31, 2023)
UPP	None identified.	**$105 million - $235 million** (December 31, 2022)	**$105 million - $235 million** (December 31, 2022)

ENERGY SHOCKS ACCELERATE THE ENERGY TRANSITION

The invasion of Ukraine by Russia in winter 2022 exposed the dangerous and misguided reliance of Europe on Russian gas. A subsequent energy shock rippled through global oil and gas markets as Europe scrambled to become independent of Russian energy, temporarily spiking oil and gas prices and boosting profits for fossil fuel producers.

This led to record-breaking quarterly profits for oil and gas producers, who dialed back their emissions reduction commitments in 2023.[35] Impacted by these short-term events, many investors have failed to fully grasp the long-term implications of this shock for energy market investments.

Like many Canadian executives, John Graham, the CEO of CPPIB, has continued to pretend that European Union (EU) energy security concerns are a reason to remain invested in fossil fuels for the long-term.[36] In reality, the temporary spike in energy prices, particularly in Europe, has significantly accelerated the global transition away from fossil fuels.[37] As economists often note: the cure for high prices is high prices.

The IEA, which guides OECD governments on energy policy, recommended a list of exceptional actions to limit EU dependence on oil and gas in 2022.[38] The result has been significant, permanent, structural demand destruction for oil and gas as the EU sped up its Energy Transition Plan, which aims to spend €396 billion per year on efficiency and electrification of heat, industry, and transportation up to 2030.[39] For example, heat pump sales in Europe in 2022 alone increased by 40%, with an 11% increase globally.

Gas demand in Europe is now on a sustained downwards trajectory, and global LNG markets are already showing signs of oversupply.[40] The EU energy crisis didn't demonstrate a need to continue investing in new oil and gas supply; it accelerated Europe's transition away from oil and gas dependency. Global fossil fuel demand will peak sooner than many had expected, with experts now expecting demand peaks for all fossil fuels before the end of this decade.[41]

CLIMATE ENGAGEMENT

Stronger expectations and accountability

Around half of the pension funds examined in this report are putting in place stronger climate-related expectations for owned companies, and some are committing to hold corporate directors accountable to science-aligned climate oversight. UPP and BCI in particular stand out: UPP for its *Climate Stewardship Plan* and BCI for its strengthened proxy voting expectations and follow-through.

UPP's *Climate Stewardship Plan* provided a level of ambition and transparency we hope to see adopted across the pension industry, though UPP errs in relying on engagement with the oil industry to yield Paris-aligned results. The UPP plan includes escalatory proxy voting intentions, communication of UPP's votes to company management, an intention to pre-declare votes "for one or more climate-related ballot item," and a focus on companies' climate-related performance, not just disclosure. UPP has also committed to publicly support government policies to achieve Paris alignment, in line with its mandate to ensure a long-term ability to meet pension obligations.

UPP and BCI, along with other investors not included in this report, made a joint submission regarding the proposed emissions cap for the oil and gas sector.[42] In order to meet net-zero targets, other public pension managers need to collaborate to express support for Paris-aligned policy in line with climate goals and to ensure a stable regulatory environment that incentivizes and protects climate-aligned investments as we transition to a zero-emissions future. Pension managers also need to demand the same of their portfolio companies and the industry associations of which they are part.

BCI has been strengthening its climate-related proxy voting guidelines year over year, and reported in 2023 that it had voted for climate-related reasons against directors at nearly 200 companies. The BC investment manager's 2023 proxy voting guidelines added a call for companies to integrate climate assumptions and risk evaluations into their audited financial statements. And BCI co-filed a resolution at Imperial Oil in 2023 calling for a financial assessment of the oil and gas company retiring its fossil fuel assets in line with a net-zero by 2050 emissions pathway.

BCI also demonstrated a willingness to publicly call out corporate directors when they failed in their duties of oversight. BCI pre-declared an intention to vote against the re-appointment of Imperial Oil's CEO and Chair Brad Corson and corporate director Miranda Hubbs for "a lack of risk oversight that led to major controversies related to tailings integrity and insufficient Indigenous engagement."[43] Notably, Miranda Hubbs is also a director of PSP Investments.

Engagement will not work for all sectors

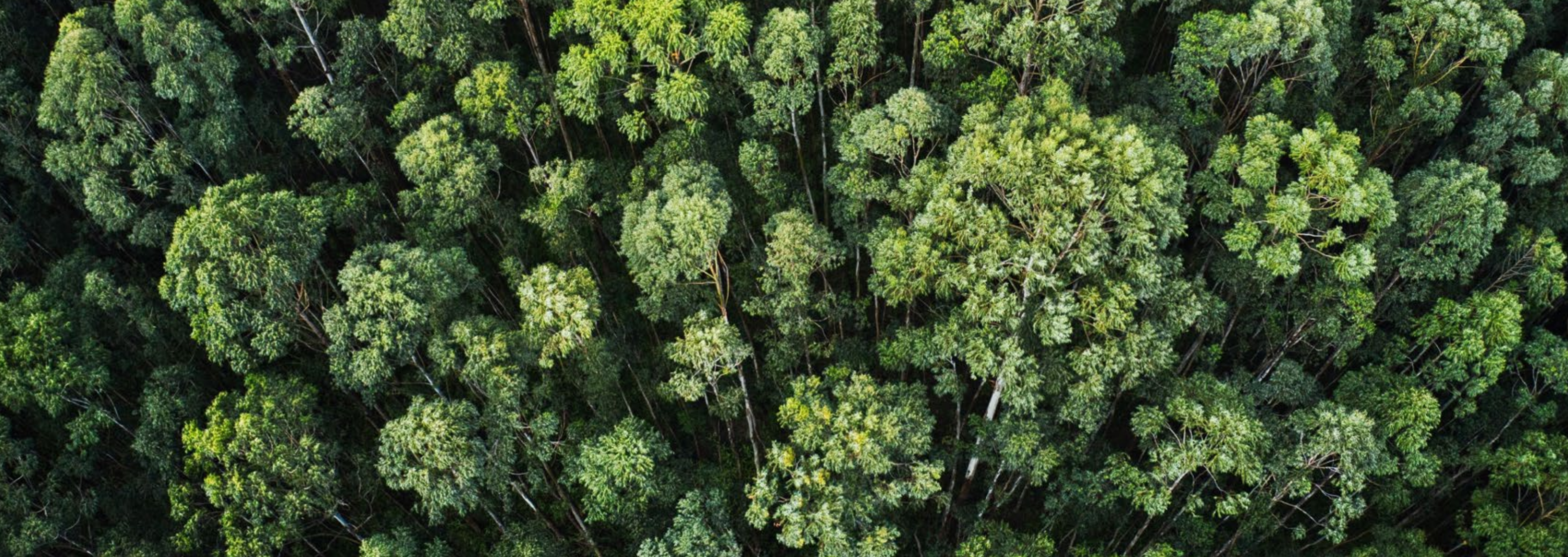
Effective climate engagement sets out time-bound expectations for companies to develop and implement science-based transition plans, and spells out escalatory consequences for companies that demonstrate an inability or unwillingness to align with expectations.

It is exactly because of this keen understanding of effective engagement that institutional investors such as the Church of England Pensions Board have decided that, when it comes to fossil fuels, divestment is the prudent choice. After nearly a decade of leading Climate Action 100+ engagement with Shell, the the Pensions Board concluded in 2023 that engagement with the fossil fuel industry was futile, and it would henceforth focus its engagement on other industries to reduce fossil fuel demand.[44] Similarly, Dutch pension fund PFZW divested nearly all of its fossil fuel assets in February 2024, after two years of intensive engagement failed to produce credible transition plans from oil and gas companies.[45]

Canadian pension funds, however, with the exception of CDPQ's divestment of and negative screen for oil, continue to pretend that engagement will work for every sector of the economy. It will not. Short of requiring fossil fuel producers to manage a careful wind-down of production and early retirement of fossil fuel assets while returning capital to shareholders, there is little else that investors can ask of oil and gas companies that would align with science-based climate goals.

Investments in marginal upstream emissions reductions (such as electrifying production operations or ineffective carbon capture utilization and storage (CCUS) schemes) can't reduce downstream emissions and therefore risk further delaying the energy transition. Worse for investors, such investments are also at risk of becoming stranded assets as demand for fossil fuels inevitably falls.[46]

Science-based climate goals require the real economy to rapidly transition away from fossil fuels over the next two



decades, with companies making major changes to their business models, ideally driving ongoing, emissions-free profitability throughout their value chain.

If investors are truly determined to ensure high-carbon companies are decarbonized in line with climate-safe net-zero pathways, they should ensure their engagement efforts include becoming vocal advocates for climate and energy policies that require companies to rapidly drive down emissions across their value chains while providing investment certainty.

CLIMATE INTEGRATION

Transparency and disclosure of holdings

Most Canadian pension funds have made notable progress in disclosing climate-related financial risks and opportunities and now have net-zero commitments and climate strategies. But it remains virtually impossible for plan members to properly understand how their retirement savings are being invested, how exposed their pension portfolios are to risky fossil fuels, or how high-carbon assets are being managed in line with net-zero emissions pathways.

A troubling trend has emerged in which pension funds conflate high-carbon “transition assets” that have credible, profitable, technologically-viable pathways to decarbonization with fossil fuel assets, which must be phased out or retired early to align with net-zero emissions pathways. Canadian pension funds also have a tendency to release glossy reports, case studies and press releases about their investments in climate solutions, but report virtually nothing about their significant fossil fuel assets.

A good example is OTPP, which is otherwise a climate leader among Canadian funds. OTPP recently published three special reports on its green assets, but is silent on its significant oil, gas and pipeline assets and how it proposes they fit with the fund’s net-zero commitment.

Scenario analysis

Canadian pension managers are generally stress testing their portfolios using global heating scenarios that assume between 1.5°C and 4°C of warming and consider both orderly and disorderly energy transition pathways. Pension funds have also generally improved disclosure of the implications these different scenarios have for their portfolios and investing strategies.

Regardless of the quality and transparency of their scenario analyses, Canadian pension funds appear to be underestimating the severity of the climate crisis and the growing potential for catastrophic ecological tipping points, as well as failing to meaningfully explain how their scenario analysis is informing their investment strategy. For example, PSP’s casual response to a 4.3°C “failed transition scenario,” which represents catastrophic impacts to the financial system and human society, is cause for concern. In another example, CPPIB’s scenario analysis clearly shows that delayed climate action will be detrimental to the fund, which further begs the question as to why CPPIB would prop up and prolong the use of oil and gas and invest in fossil fuel expansion, thereby making a delayed transition scenario more likely.

Pension managers would be wise to heed the warnings of recent analyses that suggest that the economic models widely used to inform climate scenarios are vastly

underestimating the impacts and costs of climate change and ignoring the risk of triggering irreversible climate tipping points. Pension plan members have a clear interest in retiring into a safe climate future, but the scenario analyses undertaken by pension managers are discounting the possibility of runaway climate change impacts.[47]

Board climate expertise and education

A large majority of Canadian pension funds appear to have no climate-related expertise on their boards. OTPP is the only fund examined in this report that publishes a Board Skills Matrix that identifies board members with climate-related experience, qualifications or expertise. Other funds — if they share a Board skills matrix at all — tend to conflate climate risk expertise with "environmental, social and governance (ESG)" or "sustainable investing" expertise, which suggests the boards do not fully grasp the unique, systemic, existential nature of climate risk.

Encouragingly, in 2023 we saw more funds report that their boards, executive teams and staff receive regular briefings, training and education sessions on climate-related topics. HOOPP's Board Chair went so far as to write an opinion piece on steps the Board was taking to enhance its climate oversight. The quality of advice that pension boards and staff are receiving is questionable, however, considering the approval of new investments in fossil fuel companies and the failure of any pension fund board to acknowledge that fossil fuels must be phased out.

Tying compensation to emissions reductions

A best practice for achieving net-zero commitments, emissions reductions, and other climate-related targets is to embed them in the compensation structure of pension funds. There is a growing trend towards linking climate targets to compensation in the Canadian pension sector, although most funds disclose little about what this means in practice.

CDPQ remains the Canadian leader, as it clearly states that all portfolios have carbon budgets and carbon reduction targets, with qualitative and quantitative indicators for climate-related performance. Variable compensation for all employees is tied to the achievement of the fund's climate targets, and all portfolio managers are required to incorporate carbon budgets into their investment decisions "on equal footing with their performance objectives."

OTPP also links compensation for all employees to climate, with management preparing a scorecard containing goals and metrics for climate-related objectives alongside other investment performance criteria to determine compensation. In 2023, OMERS and OPTrust also formalized and mandated climate change performance measures linked to executive or staff compensation. HOOPP reports that performance and compensation have a "climate-related component," and writes that HOOPP's Board has commissioned research on incorporating climate objectives into compensation.

AIMCo, BCI, CPPIB, IMCO, and PSP all reported a vague link between compensation and sustainability, ESG or climate-related objectives in 2022 or 2023. But there is little information to indicate that staff and executives are being incentivized to achieve net-zero commitments, decarbonize portfolio companies, or advance real-world emissions reductions.

Fossil fuel entanglements at the board level

As of December 31, 2023, seven of the 11 pension managers analyzed in this report have at least one director/trustee who is concurrently a director or executive of a fossil fuel company.

Four of 12 CPPIB Directors are entangled with fossil fuel companies, including Kiwetinohk Energy, Domo Gasoline Corp., Wajax Corp. and Capital Power.

AIMCo has one Director who sits on the boards of both Suncor Energy and Cheniere Energy, which is a slight improvement from the two AIMCo directors who had concurrent fossil fuel directorships in 2022.

A fossil-entangled director was added to both the OMERS and OTPP boards in 2023. A director of Gibson Energy joined the OMERS Administration Corporation. A new OTPP director concurrently sits on the boards of four fossil fuel companies (NuVista Energy, Trican Well Service, Parkland Corporation and Washington Gas), leading teachers to call for the retraction of her appointment and/or removal.

Similarly, a group of federal PSP plan members called for the Federal Cabinet (which approves and appoints directors to PSP's board) to remove a fossil-entangled director, Miranda Hubbs, citing conflict of interest and ethics concerns following her failure to oversee climate, environmental and Indigenous rights issues as a director of Imperial Oil. Other pension managers, such as BCI, IMCO and UPP, voted against Hubbs' re-election as an Imperial Oil director due to these concerns.

CDPQ and HOOPP also continued to have a fossil-entangled director on their boards in 2023 (Pioneer Natural Resources and Nabors Energy Transition Corp, and Teine Energy, respectively).

This deep entanglement between Canada's pension funds and vested fossil fuel interests raises critical questions about how pension administrators and investment managers are meeting their fiduciary duty and managing potential conflicts of interest over responsible investing policies and climate-related investment decisions. It also creates concerns for beneficiaries about how the corporate power of the fossil fuel industry could supersede the mandate of pension funds to provide retirement security for millions of Canadians.

BCI, OPTrust, UPP and IMCO are the only four funds that do not have a director/trustee who concurrently sits on the board of a fossil fuel company. IMCO's board chair formerly sat on the board of Precision Drilling Corporation, but appears to have stepped down from the oil and gas drilling company in 2023.

FOSSIL FUEL EXCLUSIONS

Exclusions on new investments in some fossil fuels are becoming increasingly common amongst Canadian pension funds, and must soon become the norm in the Canadian pension sector (see Tables 5 and 6). Nearly half of the Canadian pension managers analyzed in this report now have partial exclusions on fossil fuels. HOOPP and OMERS announced limited fossil fuel exclusions in 2023, joining UPP, IMCO and CDPQ, which reports it has "essentially completed" its divestment of oil producers.

No Canadian pension funds have an exclusion on investments in fossil gas, despite the clear scientific consensus that all fossil fuels must be rapidly phased out to limit global heating to 1.5°C. As the climate crisis worsens, Canadian pension funds that continue to invest in companies expanding oil, gas, coal and related infrastructure hold an increasingly untenable position. Alarmingly, some Canadian pension funds chose to increase their exposure to high-risk fossil fuels in 2023. For example, BCI increased its joint stake in National Gas, the UK's fossil gas transmission system.

CPPIB stands out as the biggest investor in and defender of fossil fuels in the Canadian pension sector. In 2023, CPPIB financed fossil fuel *expansion*, pledged to grow its investments in oil and gas, and increased its exposure to the oil and gas sector by buying a 49% stake in California's second largest oil producer. Its portfolio companies continued to build new gas plants and acquire new fossil fuel production assets, and its investment in a private equity fund financed new fracked gas assets and a proposed LNG export terminal.[48]

CPPIB appears to have an ideological commitment to fossil fuel investment, rejecting fossil fuel divestment 11 separate times in its *2023 Sustainable Investing Report* and accompanying documents and webpages. Meanwhile, CPPIB's Chief Sustainability Officer falsely claimed that "consensus has consolidated around the belief that the financial system should be empowered to finance the transition to a low-carbon future rather than mobilized to pursue a divestment agenda," even as other Canadian pension managers announced new fossil fuel exclusions and the list of global investors with at least a partial exclusion on fossil fuels grew to nearly US$41 trillion in AUM.[49]

An authoritative November 2022 report from the United Nations' High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities concluded that "Net zero is entirely incompatible with continued investment in fossil fuels."[50] Yet Canada's pension funds remain heavily invested in oil and gas, and privately own fossil fuel assets and infrastructure on five different continents.

TABLE 5: FOSSIL FUEL EXCLUSIONS - INTERNATIONAL PENSION MANAGERS

Pension Manager	Fossil Fuel Exclusion Score	Exclusions	Additional Information	Sources
Ircantec	A	**COAL** **In place before 2022:** • Exclusion of companies deriving more than 10% of total revenue from coal extraction or coal-based energy production. **Beginning in 2022:** • Exclude companies planning new coal mines/plants/infrastructure projects. • Exclude companies whose thermal coal activity represents more than 5% of turnover. • Exclude any company producing more than 10 million tonnes of thermal coal per year or having a coal-fired power generation capacity exceeding 5 gigawatts. • Exclude coal industry partners (e.g. port terminals, railways dedicated to coal transportation) deriving more than 5% of total revenue from thermal coal or participating in new projects. **By 2024:** • Exclude all companies deriving more than 1% of total revenue from thermal coal activities (exploration or processing). • Exclude companies financing or insuring companies involved in the thermal coal sector, and particularly companies financing and insuring new projects. **By 2030:** • Zero thermal coal exposure worldwide.	**Coal** Exceptions for companies that have adopted a credible coal exit plan by 2030, as well as for green bonds issued by companies if they committed to phase out thermal coal by 2030 worldwide.	*SRI Charter Annex, Sustainability Report 2022*
Ircantec	A	**OIL AND GAS** **In place before 2022:** • Exclusion of specialised companies from the oil and gas sector whose business model is focused on exploration and production. • Exclusion of shares of non-European integrated oil companies whose investments are not compatible with a 2°C strategy. • Exclusion of unearmarked bonds of companies in the oil sector whose investment expenditure are not compatible with a 2°C strategy. **Beginning in 2022:** • Exclusion of companies developing new projects in unconventional energy or increasing capacities in the unconventional energy sector. • Exclusion of companies producing more than 10 mmboe of unconventional oil and gas per year. • Exclusion of companies deriving more than 30% of production from unconventional oil and gas. **By 2024:** • Exclusion of companies for which oil represents more than 10% of gross revenue and for which gas represents more than 50% of gross revenue. • Divesting from all companies launching new conventional oil and gas projects (exploration, production, transport) or contributing to (equipment, services) the development of new projects. • Divesting from all companies whose production is related to unconventional activities and which do not have a credible phase out plan. **By 2030:** • Zero exposure to any company in the oil and gas sector that has not adopted a credible plan to reduce its emissions in line with a 1.5°C scenario.	**Oil and Gas** Exceptions for companies that have adopted a credible plan to reduce their emissions in line with 1.5°C.	*SRI Charter Annex, Sustainability Report 2022*

TABLE 5: FOSSIL FUEL EXCLUSIONS - INTERNATIONAL PENSION MANAGERS (continued)				
Pension Manager	**Fossil Fuel Exclusion Score**	**Exclusions**	**Additional Information**	**Sources**
ABP	**A-**	**THERMAL COAL:** • Excluded by 2030, in OECD countries, without CO2 capture. **COAL, OIL AND GAS EXTRACTION:** • Exclusion as of October 2021 of companies that derive more than 1% of revenues from coal mines or oil or gas extraction.	Divestment of coal, oil and gas extraction companies "mostly" complete by the first quarter of 2023. Exceptions for companies "deemed aligned on a 1.5°C pathway."	*ABP stops investing in fossil fuel producers, ABP Sustainable and Responsible Investing Policy, ABP Annual Report 2022*
New York City (NYCERS, BERS, TRS)	**A-**	**ALL FOSSIL FUELS** • Announced in 2023 plans for the three NYC funds to exclude fossil fuels in any new private equity fund commitments. • Announced in 2018 that the three NYC funds would undertake progressive divestment from fossil fuel companies in line with fiduciary duty.	US $3.8 billion divested from fossil fuel companies as of December 31, 2023.	*NYCERS/BERS/ TRS Net Zero Implementation Plans, NYC Climate Dashboard: Climate Finance*

TABLE 6: FOSSIL FUEL EXCLUSIONS - CANADIAN PENSION MANAGERS				
Pension Manager	**Fossil Fuel Exclusion Score**	**Exclusions**	**Additional Information**	**Sources**
CDPQ	**B-**	**COAL** • Exclusion and divestment of coal mining. • Exclusion on new thermal coal projects. • Commitment to divest of "most" thermal coal assets in industrialized countries by 2030. • Commitment to "largely" eliminate coal investments by 2040. **OIL** • Exclusion and divestment of oil producers. • Exclusion and divestment of oil refiners. • Exclusion on construction of oil pipelines. **GAS** • None.	Commitment to exit oil producers by end of 2022 "essentially completed." Commitment to exit coal mining by end of 2022 completed. Commitment to exit oil refining completed. CDPQ notes, "Our capital will continue to be available to energy companies that wish to develop transition projects based on clean technologies."	*2021 Climate Strategy, 2021 Sustainable Investing Report, 2022 Sustainable Investing Report*
IMCO	**C-**	**COAL** • Exclusion on companies with over 10% of revenue derived from mining of thermal coal. **OIL AND GAS** • Exclusion on companies with over 10% of revenue derived from Arctic oil and gas production.	IMCO also commits to "phase out new investment commitments in development of new unabated fossil fuel assets, in line with appropriate global, science-based scenarios," although details are unclear.	*2022 Climate Action Plan, 2022 ESG Report, ESG Screening Guideline*

TABLE 6: FOSSIL FUEL EXCLUSIONS - CANADIAN PENSION MANAGERS (continued)				
Pension Manager	**Fossil Fuel Exclusion Score**	**Exclusions**	**Additional Information**	**Sources**
UPP	**D+**	**COAL** *Thermal coal-based electrical power generation:* • Exclusion on companies with any of: - coal-based electrical power generation capacity equal to or greater than 10,000 MW. - coal-based electrical power generation equal to or greater than 15% of total electrical power generation. - coal-based electrical power generation revenue equal to or greater than 15% of total revenue. - coal-based electrical power generation installed capacity equal to or greater than 15% of total electrical power generation capacity. *Mining thermal coal:* • Exclusion on companies with revenue from mining and selling coal to external parties equal to or greater than 15% of total revenue. • Exclusion on companies with thermal coal reserves equal to or greater than 100 million metric tons. **OIL AND GAS** • None.	UPP will "refine UPP's position on ongoing investment in [oil] companies" after assessing information as to whether the companies are aligned with net-zero benchmarks.	*Investment Exclusion List - General Parameters, Climate Stewardship Plan*
HOOPP	**D**	**COAL** • By 2025: Exclude new direct private investment in thermal coal. **OIL** • By 2025: Exclude new direct private investment in oil exploration and oil production. **GAS** • None.	Exceptions may be made for "high-emitting assets with credible and fully costed decarbonization plans."	*Our Climate Strategy - good for the Plan and the planet*
OMERS	**D**	**COAL** • Exclusion on direct investment in companies that generate more than 25% of revenues from thermal coal. **OIL AND GAS** • None.	Exceptions: "This would not prohibit investments in assets with thermal coal revenues that have decarbonization plans that qualify for the transition sleeve."	*Climate Action Plan*
AIMCo	**F**	No fossil fuel exclusions.		
BCI	**F**	No fossil fuel exclusions.		
CPPIB	**F**	No fossil fuel exclusions.		
OPTrust	**F**	No fossil fuel exclusions.		
OTPP	**F**	No fossil fuel exclusions.		
PSP	**F**	No fossil fuel exclusions.		

Indigenous Rights and Reconciliation

Pension funds should adopt a transparent policy to respect the rights of Indigenous Peoples in investment decisions. The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) explicitly requires Free, Prior and Informed Consent (FPIC) for activities that may affect Indigenous Peoples or their territories.[51] Furthermore, the Truth and Reconciliation Commission Calls to Action require Canadian investors and businesses to respect Indigenous governance and the rights of Indigenous Peoples to provide or deny consent.[52] This is particularly relevant for resource extraction and land-use projects, as projects financed by pension funds can negatively impact Indigenous Peoples' lands and waters.

Shift analyzed the extent to which Indigenous rights have been considered by pension managers in the investment process, including the existence of an Indigenous rights policy aligned with UNDRIP and FPIC (see Table 7). This assessment did not contribute to the assigned letter grades but provides further context for how pension managers are managing climate-related financial risks and responsible investing concerns.

UPP has made the most explicit disclosed commitment to Indigenous rights and reconciliation. Its updated proxy voting guidelines in early 2024 specify that the fund will support proposals calling for policies or disclosures related to Indigenous rights and reconciliation, and, in particular UNDRIP and the Canadian Truth and Reconciliation Commission Call to Action 92, which calls on the corporate sector to adopt UNDRIP as a reconciliation framework.

IMCO's largest client, the Ontario Pension Board, states that it supports a transition to a net-zero economy informed by Indigenous perspectives that support Indigenous economic opportunities and encourages business practices that align with the principles of UNDRIP.

BCI, OMERS, OPTrust and PSP include expectations of varying strength related to Indigenous communities and/or Indigenous rights in their proxy voting guidelines.

Shift finds no mention of Indigenous communities or Indigenous rights in the proxy voting guidelines of AIMCo, CDPQ, CPPIB, HOOPP and OTPP. AIMCo, CPPIB, OMERS and PSP also voted against a shareholder resolution in 2023 calling on the Royal Bank of Canada to operationalize UNDRIP.[53] And while AIMCo hired its first Manager of Indigenous Relations in 2023, the investment manager, through its co-ownership of Coastal GasLink, has forced the construction of this fracked gas pipeline through unceded Indigenous territory without the consent of the Wet'suwet'en Hereditary Chiefs.

TABLE 7: INDIGENOUS RIGHTS POLICIES - CANADIAN PENSION MANAGERS

Pension Manager	Policy
Policies that articulate some alignment with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)	
UPP	**Proxy Voting Policy specifies support for UNDRIP and the Canadian Truth and Reconciliation Commission Call to Action 92.** UPP updated its *Proxy Voting Policy* in early 2024 to specify that the fund will support proposals calling for policies or disclosures related to Indigenous rights and reconciliation, and, in particular UNDRIP and the Canadian Truth and Reconciliation Commission Call to Action 92 [which calls on the corporate sector to adopt UNDRIP as a reconciliation framework] (p.10). UPP has instituted an *Equity, Diversity, Inclusion and Reconciliation Policy* (EDI&R Policy) that defines reconciliation as: "Commitment to meaningful consultation with Indigenous people, where required, building respectful relationships between Indigenous & non-Indigenous people, and obtaining the free, prior, and informed consent of Indigenous peoples on matters pertaining to them. At UPP, reconciliation also signifies the organization's commitment to honouring the Truth and Reconciliation Commission's Call to Action #92" (p.3).
OPTrust	**Proxy Voting Guidelines specifically cite the United Nations Declaration of the Rights of Indigenous Peoples (UNDRIP).** OPTrust's *Proxy Voting Guidelines* (effective December 8, 2023) state that the fund 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).

TABLE 7: INDIGENOUS RIGHTS POLICIES - CANADIAN PENSION MANAGERS

Pension Manager	Policy
● PSP	**Proxy Voting Principles cite free, prior and informed consent.** PSP's *2022 Annual Report* says that going forward, the investment manager "will support shareholder proposals requesting that a company uphold the UN Declaration on the Rights of Indigenous Peoples or create a policy or program to do so. We will also support proposals that ask companies to obtain and maintain free, prior and informed consent of Indigenous people (FPIC); develop, strengthen or implement an FPIC policy or guideline; or assess and report on the adoption of FPIC policies" (p.24). But PSP's *Corporate Governance and Proxy Voting Principles*, updated in February 2023, appear to only partially fulfill this commitment. The *Principles* say that PSP "encourage[s] companies to adopt appropriate standards and as a minimum to support labour standards and human rights in all their operations. … Companies should strive to ensure that they maintain their long-term 'social license to operate,' gaining the support of communities who may be affected by their activities. This *may include, where appropriate*, the free, prior, and informed consent of indigenous peoples" (p.15, emphasis added). PSP's *Principles* do not specifically indicate how the fund will vote on shareholder resolutions related to labour standards, human rights, or Indigenous consent.
Other policies	
AIMCo	**No disclosed policy.** AIMCo reported in 2023 that it had hired its first Manager of Indigenous Relations. The investment manager is co-owner of the Coastal GasLink pipeline, which has been forced through unceded Indigenous territory without the consent of the Wet'suwet'en Hereditary Chiefs.
BCI	**Proxy voting guidelines express support for "reconciliation and Indigenous inclusion".** BCI added a new section to its 2023 *Proxy Voting Guidelines* addressing Indigenous rights and reconciliation. The *Guidelines* state, "while we evaluate proposals on a case-by-case basis, we will generally support the disclosure or adoption of policies and practices related to reconciliation and Indigenous inclusion such as Indigenous community relations, hiring and retention practices of Indigenous employees, training on Indigenous reconciliation, and procurement from Indigenous-owned businesses" (p.22).
CDPQ	**No disclosed policy.** CDPQ reported in 2023 that it developed a new analysis grid that "targets issues to be considered when Indigenous (First Nations and Inuit) perspectives must be taken into account." The tool was developed with Coop Nitaskinan, a worker-based Indigenous solidarity cooperative that brings together members who are committed to the socio-economic and cultural development of First Nations, driven by Indigenous vision and values.
CPPIB	**No disclosed policy.**
HOOPP	**No disclosed policy.**
IMCO	**No disclosed policy.** IMCO's largest pension client, the Ontario Pension Board, stated in its *2021 Annual Report*, "We also support a transition to a net-zero economy informed by Indigenous perspectives that supports Indigenous economic opportunities and encourages business practices that align with the principles of the United Nations Declaration on the Rights of Indigenous Peoples" (p.23). IMCO's *2022 ESG Report* stated that it supported 94% of shareholder proposals "requesting that our portfolio companies conduct human rights risk assessments, improve human rights standards or policies, and conduct racial equity and/or civil rights audits" (p.31), but does not specifically acknowledge Indigenous rights in particular.
OMERS	**Proxy voting guidelines encourage consideration of impact on communities, including Indigenous peoples** OMERS' *Proxy Voting Guidelines* (effective March 1, 2022) encourage "development of policies and practices on... the impact of the corporation's strategies and decisions on the communities, including indigenous peoples and other constituencies, directly affected by its products and operations" (p.29).
OTPP	**No disclosed policy.**

Recommendations and Conclusion

The Canadian pension sector has made progress on aligning its members' retirement portfolios with a safe climate future, yet overall it continues to treat climate change as just another financial risk that can be managed with traditional approaches to asset allocation, risk management and investor stewardship.

The climate crisis is different, as should be obvious to anyone who lived through 2023, the hottest year on earth in at least 100,000 years, and experienced the evacuations, wildfires, droughts, and air quality warnings throughout Canada that summer.[54] Pensions funds' mandates will become impossible to fulfill if we fail to stabilize global temperatures at relatively safe levels. The risks are unprecedented and life-threatening. The corresponding response must be unprecedented and life-affirming.

Pension fund leadership must protect the safe climate future that their members depend on, which requires them to:

Develop and implement credible climate plans, which must include:

- Committing to net-zero emissions by 2050 or sooner;
- Setting interim emissions reduction targets in line with science-based pathways;
- Dramatically increasing allocations to profitable, credibly-defined climate solutions;
- Communicating climate urgency to stakeholders;
- Outlining robust, Paris-aligned, time-bound expectations, accompanied by an escalatory engagement process, for owned companies;
- Instituting internal processes to align the pension fund with climate commitments, such as tying compensation to the achievement of climate goals, avoiding board-level fossil fuel entanglements, and transparently disclosing to members the fund's high-carbon exposure and the assumptions and implications of scenario analyses;
- Placing a screen on any new investment in fossil fuels; and
- Creating and disclosing a phase-out or early retirement plan for existing fossil fuel assets.

Publicly acknowledge and affirm that our economy must phase out fossil fuels.

Investors must signal to governments, markets and beneficiaries that they understand the direction of travel: publicly state that fossil fuels must be rapidly phased out, in line with scientific consensus, in order for humanity to hang onto a chance at a stable climate.

Create investor certainty by advocating for, bolstering and supporting Paris-aligned government policy.

Stringent, ambitious, Paris-aligned climate and energy laws, policies and regulations will provide certainty for companies and investors, enable Canada to achieve its climate commitments and help limit global temperature increase to 1.5°C. Every pension fiduciary with the long-term best interests of beneficiaries in mind must advocate for and publicly support such policies. The alternative is Canada and the world failing to achieve the goals of the Paris Agreement, leading to ecological, economic and financial consequences that could make it impossible for pension managers to fulfill their mandates.

Ensure the transition to net-zero respects Indigenous Rights.

The rights of those who have stewarded lands and waters for millenia must be respected as society grapples with a transformative shift to secure a safe climate future. Pension funds must create policies stating that they expect companies to obtain and maintain the Free, Prior and Informed Consent of Indigenous Peoples for projects affecting them.

There is no retirement security for pension plan members without a safe climate future to retire into.

While Shift has provided in each pension fund analysis detailed recommendations to achieve climate progress, piece-by-piece improvements must be accompanied by a step change in how pension funds approach the greatest threat facing humanity.

Global greenhouse gas emissions must be slashed in half in just six years. When it comes to the climate crisis, winning too slowly is the same as losing. It's time for Canada's pension funds to acknowledge this stark reality.

APPENDIX A:

Methodology and Scoring

This report is based on publicly available information collected over the course of 2023 from the public websites, annual reports, ESG/sustainable/responsible investing reports, climate plans and strategies, regulatory filings, press releases and other publications of pension managers, as well as news articles, briefing notes and reports from NGOs, academics and civil society organizations. Information is current to December 31, 2023, unless otherwise stated, to the best of the authors' knowledge. Sources and references specific to each pension manager are listed within or at the end of each pension manager analysis.

To assign letter grades for each climate category, Shift assessed publicly available information against a scoring rubric. We acknowledge that given the nature of qualitative information and inconsistency across pension fund disclosures, these scores are necessarily subjective. We hope to highlight best practices, challenges and shortcomings, and facilitate a dialogue with pension managers, beneficiaries, stakeholders, sponsors and governments.

Shift has included other indicators, such as portfolio allocations to climate solutions and to fossil fuels, notable fossil fuel investments and membership in climate-focused investor groups. These indicators can be found in the "Additional Information" section in each pension fund analysis. Due to a lack of transparency, disclosure and consistency in pension fund reporting, data for these indicators is likely incomplete and so is not always comparable across funds. For these reasons, this information did not directly contribute to the assigned letter grades.

Shift recognizes that this report is comparing portfolios at different scales, from the University Pension Plan with assets under management (AUM) of $10.8 billion to the Canada Pension Plan Investment Board with over a half-trillion dollars in AUM. Different organizations have different levels of capacity and resources to take on the complex task of managing climate risks in the midst of an accelerating global crisis.

Any errors or omissions are the responsibility of Shift. The information in this report does not constitute legal, investment or financial advice. The authors welcome input, feedback and corrections from readers, companies and pension fund staff, board members and stakeholders.

SCORING RUBRIC

Pension managers were assigned letter grades according to the following criteria.

PARIS-ALIGNED TARGET	
Grade	**Criteria**
A	The pension manager: • has made a public commitment to a Paris-aligned target (net-zero emissions by 2050 or sooner), ***and*** • has set interim targets, defined net-zero, accounted for scope 3 emissions, planned to achieve real world emission reductions, and placed a limit on the role of offsets, ***and*** • is part of a credible and accountable international Paris-aligned or net-zero body, e.g. Net Zero Asset Owner Alliance (NZAOA), Paris Aligned Asset Owners (PAOO).

PARIS-ALIGNED TARGET (continued)	
Grade	**Criteria**
B	The pension manager has made a public commitment to a net-zero emissions by 2050 target, and has ***most*** of the following in place: • interim emissions reduction targets; • definition of net-zero emissions; • plan to account for scope 3 emissions; • plan for achieving real world emission reductions while bringing portfolio to net-zero; • limits on the role of offsets; and • membership in a credible and accountable international Paris-aligned or net-zero body, e.g. PAOO, NZAOA.
C	The pension manager has made a public commitment to a net-zero emissions by 2050 target, but ***without all or most*** of the following: • interim emissions reduction targets; • definition of net-zero emissions; • plan to account for scope 3 emissions; • plan for achieving real world emission reductions while bringing portfolio to net-zero; and • limits on the role of offsets.
D	No target, but an indication that a target is forthcoming.
F	No target, and no indication that a target is forthcoming.

INTERIM TARGETS	
Grade	**Criteria**
A	**GHG (Greenhouse gas) emissions:** 2025 and 2030 Paris-aligned targets covering 100% of the portfolio and scopes 1, 2, and 3 emissions. The presence or absence of absolute targets and intensity-based targets was considered. **Climate solutions:** 2025 and/or 2030 targets for increased investments in climate solutions. **Engagement or transition targets:** 2025 and/or 2030 targets for the percent of AUM or percent of portfolio emissions that are covered by a credible net-zero transition plan. Other climate-related targets were also considered in assigning this score, as was the ambition of the targets.

INTERIM TARGETS (continued)	
Grade	**Criteria**
B	**GHG emissions:** 2025 and 2030 targets to reduce scope 1 and 2 emissions of the total portfolio. Plan to incorporate scope 3 emissions into targets. The presence or absence of absolute targets and intensity-based targets was considered. **Climate solutions:** At least one near-term target for increased investments in climate solutions. **Engagement or transition targets:** Targets for the percent of AUM or percent of portfolio emissions that are covered by a credible net-zero transition plan. Other climate-related targets were also considered, as was the ambition of the targets.
C	Short and/or mid-term climate targets exist but are incomplete. For example: • GHG emissions target does not cover the total portfolio; • targets in one area (e.g. emissions) but not others (e.g. climate solutions investments).
D	No short or mid-term climate targets but reasonable indication that they will be announced soon.
F	No short or mid-term climate targets and no indication that targets are forthcoming.

COMMUNICATION OF CLIMATE URGENCY	
Grade	**Criteria**
A	The pension manager: • acknowledges the climate crisis poses risks to and opportunities for its portfolio; • acknowledges its role in addressing the climate crisis; • acknowledges the urgency, emergency and existential nature of the climate crisis; • acknowledges that investors have agency to influence the trajectory of the climate crisis; and • articulates an ambition, determination and responsibility to centre climate in its investment strategy.
B	The pension manager: • acknowledges the climate crisis poses risks to and opportunities for its portfolio; • acknowledges its role in addressing the climate crisis; • acknowledges the urgency, emergency and existential nature of the climate crisis; and • acknowledges that investors have agency to influence the trajectory of the climate crisis.
C	The pension manager: • acknowledges the climate crisis poses risks to and opportunities for its portfolio; and • acknowledges that it has a role in addressing the climate crisis.

COMMUNICATION OF CLIMATE URGENCY (continued)	
Grade	**Criteria**
D	The pension manager: • acknowledges the climate crisis poses risks to and opportunities for its portfolio; but • does not acknowledge its own role in addressing the climate crisis.
F	The pension manager: • does not acknowledge that the climate crisis poses risks to and opportunities for the portfolio; and • does not acknowledge the role of finance in addressing the climate crisis.

CLIMATE ENGAGEMENT	
Grade	**Criteria**
A-F	A score between A-F was assigned based on whether or not the pension manager had the following elements in place, and the strength and specificity of these elements: • publicly-stated expectations for owned companies to have credible net-zero alignment strategies; • clear climate-related expectations in proxy voting guidelines, including the expectation for companies to have credible net-zero strategies; • public, specific and Paris-aligned goals for climate-related engagements; • disclosure of targets and metrics to determine success of climate engagements (e.g. % of engaged companies that have credible net-zero transition plans); and • a time-bound and escalatory framework, up to and including divestment, to apply to climate engagements.

CLIMATE INTEGRATION	
Grade	**Criteria**
A-F	A score between A-F was assigned based on public disclosure of these indicators: • membership in a credible and accountable net-zero body such as the NZAOA or PAOO; • disclosure of exposure to high-carbon assets, particularly fossil fuels; • quality and disclosure of scenario analysis; • extent of carbon footprinting (portfolio coverage and scopes); • detail and contemporaneity of climate plan; • board level climate expertise (raised score); • board level fossil fuel entanglement (lowered score); and • compensation structure linked to climate targets.

FOSSIL FUEL EXCLUSIONS	
Grade	**Criteria**
A	Exclusion of all investment in coal, oil and gas.
B	Exclusion of at least two of coal, oil and gas.
C	Exclusion of at least one of coal, oil, gas.
D	Limited exclusions (e.g. weak thermal coal exclusion).
F	No fossil fuel exclusions.

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For more information, see:

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