Climate Pension Quarterly
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shift ACTION FOR PENSION WEALTH AND PLANET HEALTH

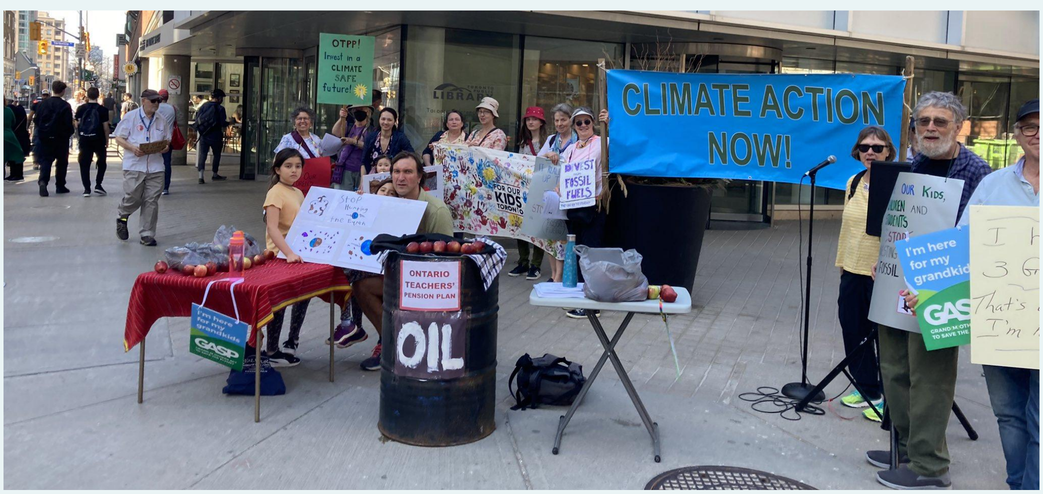
Pension members pressured pensions, and pensions pressured companies.

Wildfires are raging in almost every province and territory across the country. Canadians have had to flee their homes in evacuation areas, and millions of people across the continent have been affected by poor air quality. The financial sector remains an important and as yet unsolved piece of the climate puzzle. As we stare down increasingly close-to-home climate impacts, Canada's financial institutions must move beyond business-as-usual short-term thinking and lofty net-zero by 2050 commitments. Securing a livable future requires an immediate end to investments in fossil fuel expansion and a rapid scale-up of investments in climate solutions.

We're glad to report that this quarter saw inspiring actions from pension plan members seeking to hold their pension managers accountable for investing their savings in a safe retirement, which inherently requires a liveable planet. Shift was also pleased to see some Canadian pension managers step up during shareholder season, with two bringing forward climate-related shareholder resolutions. A handful of others voted against corporate directors in cases where companies failed to adequately address climate-related financial risks. While the Canadian track record pales in comparison to international examples (read more in this Quarterly's *Climate on the Agenda During Shareholder Season*), we're seeing early signs that the Canadian pension sector has the ability to engage companies much more seriously, publicly and consequentially on climate.

Pension beneficiaries continued to pressure their funds to act in line with climate science:

In April, beneficiaries of the **Ontario Teachers' Pension Plan**, along with their families and other supporters, staged a rally (pictured below) outside of the fund's Annual General Meeting (AGM), calling on their pension fund to stop investing in fossil fuels and to pour more money into climate solutions. Inside the AGM, members pressed the fund's leadership on questions about its $7.4 billion in direct oil and gas assets, a board director who simultaneously sits on the boards of four fossil fuel companies, and the pension plan's lack of a policy on Indigenous rights.



In May, beneficiaries of the **University Pension Plan** wrote "Now's the time for Ontario's University Pension Plan to lead the way on phasing out fossil fuels" (*National Observer*):

"If the University Pension Plan is serious about its desire to address what it calls the 'systematic and material risk to the ecological, societal and financial stability of the economy as a whole,' and if it wants to distance itself from the oil and gas sector's history of violating Indigenous rights, it should use its Climate Action Plan update and annual Responsible Investing report this summer to make a bold commitment to end investment in the oil and gas industries."

This month, members of **Ontario's Public Service Pension Plan** wrote to the fund's investment manager, the **Investment Management Corporation of Ontario**, asking it to explain its confusing "climate guardrails".

> *"As an environmental lawyer with decades of experience in climate and energy policy, I am totally unimpressed by IMCO's so-called 'climate guardrails'."*
> *- Dianne Saxe, a Toronto City Councillor, environmental lawyer, former Environmental Commissioner of Ontario, and member of Ontario's Public Service Pension Plan.*

And members of **Canada's Public Sector Pension Plan** continue to add their names to an open letter calling for an embattled Imperial Oil director to be removed with cause from the Board of Directors of their pension manager, **PSP Investments**.

Other news from 2023's second quarter included:

- A Sustainable Investing Report from the **Caisse de dépôt et placement du Québec** and an ESG Report from the **British Columbia Investment Management Corporation**
- Annual Reports from the **Investment Management Corporation of Ontario**, **Canada Pension Plan Investment Board**, **Public Sector Pension Investment Board** and Ontario's **University Pension Plan**
- No news yet of a climate plan from the **Alberta Investment Management Corporation**, which committed to a climate plan to come in its second quarter, or the **Ontario Municipal Employees Retirement System**, which committed to a climate plan this year, and no interim targets announced yet from **OPTrust**, which has committed to announce targets sometime in 2023.
- A *Net Zero Standard for Oil and Gas* from the Institutional Investors Group on Climate Change, a *Position on the Oil and Gas Sector* from the Net Zero Asset Owner Alliance, and an updated *Net Zero Company Benchmark* from Climate Action 100+.
- *Investing in Climate Chaos* and *Banking on Climate Chaos*, two reports tracing the financial sector's complicity in funding companies whose business models do not align with climate safety.

Looking ahead, we continue to wait for the federal government to move on Canada's Taxonomy Roadmap Report. We're also eyeing the progress of the *Climate Aligned Finance Act*, which has recently been referred to the Senate Banking Committee for study. In May, 17 MPs from four different parties backed a call for the federal government to use "all legislative and regulatory tools at its disposal to align Canada's financial system with the Paris Agreement." Finally, based on the climate literacy we've seen demonstrated by the **University Pension Plan** in Ontario, we're keenly awaiting the fund's Climate Transition Investment Framework.

Read on for the full stories in this issue of the *Climate Pension Quarterly*.

-Adam, Britt, Laura and Patrick
The Shift team

P.S. This month, Britt Runeckles joined our team as our BC-based pensions campaigner. Welcome, Britt!

Pension Fund Reports, Policies and Climate Announcements

The Ontario Teachers' Pension Plan (OTPP) released a report on building sustainability.
The OTPP's April report highlighted its focus on deep retrofits, sustainable timber and technology that supports building efficiency and district energy.

The Investment Management Corporation of Ontario (IMCO)'s Annual Report included new climate and energy highlights.
In April, IMCO's annual report recapped investments labeled as renewable energy, energy transition, climate solutions and/or climate tech and the introduction of a new climate scenario analysis framework. The report also included a board skills matrix identifying three of its nine directors as having the core skill of "ESG Management". However, IMCO's portfolio category "energy and utilities" obscures IMCO's investment in fossil fuels.

The Caisse de dépôt et placement du Québec (CDPQ)'s Sustainable Investing Report demonstrates leadership, but the CDPQ continues to cling to fossil gas and must set targets to reduce absolute emissions.
CDPQ's 2022 Sustainable Investing Report, released in April, highlighted the fund's divestment from oil production, $47 billion in low-carbon assets, reduction in the portfolio's emissions intensity, new tools to consider Indigenous perspectives and more (see Shift's summary).

However, the CDPQ has not yet set targets to reduce its absolute emissions, and continues to incorrectly consider fossil gas a transition fuel. CDPQ is the majority owner of Quebec gas distributor **Énergir**. In June, a coalition of Quebec environmental groups filed a greenwashing complaint with the province's Consumer Protection Office against Énergir for the gas utility's false and misleading claims regarding renewable natural gas.

The British Columbia Investment Management Corporation's (BCI) 2022 ESG Annual Report demonstrates increasing climate sophistication, although flaws remain.
In its 2022 ESG Annual Report, released in April, BCI provided more extensive reporting on its approach to climate risks than many of its peers. BCI appears to be taking an increasingly sophisticated, well-resourced approach to the climate crisis, undertaking extensive analysis of climate risks and prioritizing climate change and Indigenous reconciliation in its advocacy and engagement activities. However, BCI's approach has an overreliance on false climate solutions like carbon capture, utilization and storage (CCUS) and carbon offsets, a fatally flawed approach to engaging fossil fuel companies, and a lack of a plan to disclose credible, science-based climate plans for its growing portfolio of fossil fuel assets. *See Shift's analysis.*

The Healthcare of Ontario Pension Plan's (HOOPP) 2022 Real Estate Sustainability Report made a good start at disclosure.
HOOPP's May report provided expanded disclosure of the fund's approach to and challenges in real estate decarbonization, but also served to highlight how little information HOOPP has made available regarding decarbonization of other asset classes. *See Shift's analysis*.

The Ontario Municipal Employees Retirement System's (OMERS) Sustainable Bond Report covered the fund's first sustainable bonds issuance.
According to its May report, OMERS' bond issuance has allocated US$1.1 billion to energy efficiency, renewable energy, green buildings, and "affordable basic infrastructure."

The Canada Pension Plan Investment Board's (CPPIB) Annual Report included the good, the bad and the ugly.
In May, the CPPIB released its annual report for the fiscal year ending March 31, 2023. While the CPPIB is growing its investments in climate solutions and increasing its sophistication in managing climate-related financial risks, our national pension manager continues to obscure its exposure to and prolongation of the fossil fuel economy and falls short in its recognition of the urgency that the climate crisis demands. *See Shift's analysis*.

PSP's Annual Report noted climate-linked compensation.
In June, the Public Sector Pension Investment Board's (PSP) Fiscal 2023 Annual Report summarized the progress made on its Climate Change Strategy, profiling the federal employee pension manager's growing investments in offshore wind and reporting for the first time that climate was factored into executive compensation. But PSP remains one of the few Maple Eight pension funds that has still not committed to net-zero and its asset class reporting makes it impossible to accurately determine the pension managers' exposure to fossil fuels.

University Pension Plan (UPP)'s Annual Report demonstrates strong transparency, but Climate Transition Investment Framework not yet released.
In June, the UPP's 2022 Annual Report provided carbon footprinting metrics including the portfolio's scope 3 emissions and the specific scope 3 emissions from oil, gas and mining. The fund had previously committed to release its Climate Transition Investment Framework in June; Shift and UPP beneficiaries look forward to the framework's release.

Canadian Pension Mentions

- In April, a member of Quebec's National Assembly brought forward a bill that would amend the legislation governing the CDPQ to include social and environmental objectives in its mandate, including alignment with global agreements on climate change and biodiversity.
- **UPP's** Senior Managing Director of Responsible Investing told delegates at a CFA Institute conference that "We really have this genuine belief and understanding that we need to have a stable climate to generate returns for our beneficiaries."
- **OMERS**' Head of Global Infrastructure is leaving for an executive position at TC Energy.
- The **Alberta Investment Management Corporation's (AIMCo)** Head of Infrastructure, Renewables and Sustainable Investing said that fossil gas seemed to be shifting back into style, ignoring the scientific consensus that no new investment in fossil fuels is needed on a 1.5°C pathway and the pitfalls of pretending that gas is a transition fuel. AIMCo's infrastructure portfolio includes fossil gas and crude oil pipelines, fossil gas processing plants and refined products storage terminals across Texas, New Mexico, Oklahoma, Pennsylvania, Mexico and Canada.
- An op-ed from International Institute for Sustainable Development authors in the Globe and Mail challenged **PSP** to manage the $15 billion Canada Growth Fund with a strategy "based on data, evidence and pragmatism, not informed by oil and gas advocacy for [carbon capture and storage] solutions that just don't deliver."

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Climate on the Agenda During Shareholder Season

Shift closely tracked how Canada's pension funds voted on key climate-related resolutions during 2023 Annual General Meetings (AGMs). *See our full analysis.*

How did your pension fund vote on key climate-related shareholder proposals?

Pension Fund	Final vote count	RBC #1	RBC #2	RBC #4	RBC #5	TD #6	Enbridge #2	Suncor #1	Imperial Oil #2
AIMCo	1 For 7 Against	Against	Against	Against	Against	Against	Against	Against	For
BCI	7 For 1 Against	For	For	For	Against	For	For	For	Submitted Proposal Voted against Directors
CDPQ	5 For 1 Against	For	For	Against	For	For	For	No shares in Suncor	No shares in Imperial Oil
CPPIB	2 For 6 Against	Against	Against	Against	Against	For	Against	For	Against
HOOPP	HOOPP is the only Maple Eight pension fund that does not report its votes on individual shareholder resolutions to its members or the public.								
IMCO	6 For 1 Against 1 Abstain	Against	For	For	Abstain	For	For	For Voted against Directors	For Voted against Directors
OMERS	2 For 6 Against	Against	Against	Against	Against	Against	Against	For	For
OTPP	2 For 3 Against	Against	For	Against	Against	No shares in TD Bank	No shares in Enbridge	No shares in Suncor	For
OPTrust	OPTrust does not hold shares in any of the companies included in this analysis. OPTrust does not report its votes on shareholder resolutions to its members or the public, but does share its votes upon request.								
PSP	As of June 12, 2023, PSP had only reported its votes on shareholder resolutions up to March 31, 2023, a reporting gap that lags its peers in the Maple Eight pensions.								
UPP	7 For 1 Against	Against	For	For	For	For	For	For	For

Particularly of note in Canada were leading moves from CDPQ and BCI. **CDPQ** co-filed a shareholder resolution at **Berkshire Hathaway** asking for annual assessments on climate risk and committing to vote against the conglomerate's directors for failing to address climate risk. **BCI** filed a shareholder proposal at **Imperial Oil** asking the ExxonMobil subsidiary to report on the costs of retiring its fossil fuel assets under the International Energy Agency's 2050 net-zero emissions scenario. Further, BCI announced before the AGM that it was voting against key Imperial Oil directors based on the "assessment that the company's lack of risk oversight has led to major controversies related to tailings integrity and insufficient Indigenous engagement." One of the directors against whom BCI voted was Miranda Hubbs, Imperial Oil's Chair of the Community Collaboration and Engagement Committee. Ms. Hubbs is also a Director of **PSP Investments**, which also holds shares in Imperial Oil. **UPP** also voted against Ms. Hubbs, as did **IMCO**, citing her failure to oversee climate risk and the company's misalignment with net-zero pathways. PSP has not yet disclosed whether its Proxy Voting Principles, updated this year to "reflect increased momentum to address climate change and execution of Climate Strategy", led to a vote against its own director.

Also of note were pension funds' votes at the Royal Bank of Canada (RBC) AGM on a shareholder resolution, brought forward by the Union of British Columbia Indian Chiefs and the British Columbia General Employees Union, calling for RBC to ensure its clients obtain the free, prior and informed consent of Indigenous peoples. Of the votes so far disclosed, **AIMCo**, **CPPIB**, and **OMERS** voted against the resolution. **BCI**, **CDPQ**, **IMCO**, **OTPP**, and **UPP** voted in support. Information is not yet disclosed from **PSP** or from **HOOPP**, which does not disclose how it voted on individual resolutions to its members or the public.

Internationally, we saw the **New York State Common Retirement Fund** declare in advance its votes asking for credible climate plans from US banks and votes against directors at fossil fuel companies without decarbonization pathways. Five of the UK's largest pension funds declared they would vote against the reappointment of oil and gas supermajor BP's chair as the company walked back on its climate targets. The **Church of England Pension Board**, the designated co-lead investor for Climate Action 100+'s (CA100+) engagement with Shell, issued a press release as it voted against the re-election of all Shell directors, saying that the company's approach did not serve the long term interests of the fund's members and the world they will retire into. A group of UK pensions and other asset owners expressed that the poor climate voting record of the asset managers they employ left them concerned for the interests of their beneficiaries. And with only ten per cent of CA100+ companies having fully aligned their investment plans with their own targets or with the Paris agreement, the engagement initiative said in June that its "Phase Two" must turn corporate commitments to net-zero emissions into rapid action.

Your Pension Fund's Assets in the News

Aspenleaf Energy
*Co-owned by **OTPP**. Two OTPP portfolio managers sit on the company's board, and OTPP's stake in the company is at minimum $200 million.*

Aspenleaf Energy, a Calgary-based private oil and gas exploration and production company "pursuing an acquisition and exploitation strategy in western Canada", received fossil fuel industry plaudits for having two of the highest producing oil wells in Canada in February 2023.

Net4Gas
*50% owned by **OMERS.***

In April, the Czech fossil gas pipeline operator started arbitration proceedings against Russian state-owned company Gazprom for missed payments. In 2021, Net4Gas' contracts for transporting Gazprom gas made up three quarters of the company's revenue. In May, Fitch ratings again downgraded Net4Gas's credit rating.

Pomona Farming
*Majority-owned by **PSP Investments**.*

Pomona Farming, an agriculture company and one of the largest landowners in California's fertile San Joaquin valley, was accused in April by local farmers of drilling ever-deeper wells to irrigate nuts and other crops during an unprecedented drought, depleting groundwater at an unsustainable rate and causing parts of central California to sink.

FirstLight Power
*Wholly-owned by **PSP Investments**.*

In April, FirstLight Power completed the integration of H2O Power, a hydroelectric power company in northern Ontario that was 51% owned by PSP. After H2O's integration, FirstLight says it has plans to further add significant wind, solar and energy storage capacity in Ontario.

Calpine Energy, Civitas Resources and Project Canary
*Calpine is 13.4% owned by the **CPPIB**.*
*Civitas' largest shareholder is the **CPPIB**, which has 21% ownership.*
*The **CPPIB** joined with other investors to raise US$111 million in Series B funding for Project Canary in February 2022.*

While the Canada Pension Plan claims it is committed to net-zero, Calpine is planning to build two new fossil gas power plants and Civitas is planning to drill 174 new oil and gas wells in Colorado's Arapahoe County. In June, Colorado residents raised concerns about the 4.4 trillion gallons of water Civitas' oil and gas wells would require, at the same time that residents face water restrictions and local reservoirs are only 63% full. Meanwhile, Project Canary (a certified gas program that labeled Civitas production "responsibly sourced gas") was found to be "likely highly unreliable and ineffective, resulting in increased threats to health and climate from the oil and gas industry." *See links to the full stories in Shift's twitter summary.*

Brookfield Global Transition Fund (BGTF)
*$15 billion decarbonization fund backed by the **OTPP** as a lead investor, as well as **PSP** and **IMCO**.*

Avaada Group, an India-based renewable energy platform, announced in April that it had raised US$1.07 billion from the BGTF to finance its green hydrogen and green ammonia ventures and expand solar module

Your Pension Fund's Assets in the News (continued)

manufacturing.

In May, Brookfield reported that the first vintage of the BGTF was now 85% invested, and it was launching fundraising for a second vintage, “BGTF II”, which aims to be larger than the first.

In June, in a bid to gain approval from Australia's competition regulator for its proposed takeover of Origin Energy, Brookfield said it will spend up to US$30 billion to build 14 gigawatts of renewable energy and storage to replace coal-fired power and transform Origin into Australia's largest clean energy producer by the end of the decade.

Coastal GasLink (TC Energy)
AIMCo *is the co-owner of Coastal GasLink, while at the end of 2022 other large Canadian pension funds held over US$1.3 billion in shares in TC Energy, the company behind the fracked gas pipeline.*

Coastal GasLink is once again under investigation by regulators for environmental infractions, this time for two spills of clay lubricant into the Wedzin Kwa (Morice River), a sacred headwater on Wet'suwet'en traditional territory.

Enwave
50% owned by OTPP.

This spring, Enwave broke ground on its low-carbon Pearl Street Energy Centre expansion and renewal project in Toronto, which will recycle district waste heat to produce hot water for the downtown core via electrification using dual-use heat pumps, electric feeds, and generators.

TPG Rise Climate
The ***OTPP*** *is an anchor investor in, and* ***PSP Investments*** *a contributor to, this decarbonization fund.*

Ohmium, a California-based company with plans to develop two gigawatts of annual green hydrogen manufacturing capacity, received US$250 million in financing from TPG Rise Climate in April.

Razor Energy and FutEra Power
AIMCo *has reached a debt settlement agreement with Razor Energy, a junior oil and gas company.*

AIMCo loaned Razor Energy $45 million in 2017 and 2018. But Razor paid dividends to shareholders while deferring its interest payments to AIMCo on three separate occasions. In May, it was reported that AIMCo and Razor had reached a debt settlement agreement. Razor will be required to “re-accelerate [oil and gas] production development“, increasing oil and gas production by 800 barrels per day. Also as part of the agreement, AIMCo acquired a majority ownership stake in FutEra, a Razor subsidiary that operates gas plants, renewable energy projects and a geothermal power plant that was being used for bitcoin mining.

Puget Sound Energy (PSE)
Co-owned by ***OMERS (23.9%)***, ***OTPP (15.8%)***, ***AIMCo (13.6%)*** *and* ***BCI (20.9%)***, *as well as Dutch pension fund PGGM and Macquarie Asset Management.*

In May, PSE, an electric and gas utility in Washington State, announced a framework to issue green, sustainable or social bonds to fund projects aligned with the company’s environmental, social and governance (ESG) strategy, including decarbonization. While PSE is taking steps toward its commitment to

Your Pension Fund's Assets in the News (continued)

have a 100% carbon-free electric supply by 2045, it must move faster on a plan to retire its fossil fuel infrastructure and replace it with reliable zero-carbon alternatives. In June, PSE was ordered by the Washington Utilities and Transportation Commission to make sweeping changes to its four-year climate plan to comply with Washington's Clean Energy Transformation Act and to ensure its most highly impacted customers receive tangible benefits from its clean energy programs.

Bristol Airport
*Wholly-owned by **OTPP**.*

In May, the U.K. Court of Appeal dismissed an attempt by local community groups to stop the expansion of Bristol Airport. The OTPP's claim that its climate plan "isn't only about bringing Ontario Teachers' to net zero; it's about helping the world around us get to net zero, too" rings hollow in the face of Bristol Airport's plans to expand its maximum capacity from 10 million to 12 million aviation passengers a year.

Pulse Clean Energy
*100% owned by **IMCO.***

In May, Pulse Clean Energy, a renewable energy company announced it was securing a £175 million credit facility to grow its battery storage capacity in the UK from 162 to 1,000 megawatts, in some cases replacing decommissioned diesel fuel production sites.

Open Grid Europe (OGE)
***BCI** owns a 32% stake in OGE*

BCI's stake in OGE, the operator of Germany's 12,000-km gas pipeline network, appears risky, with research showing that Germany's plan to switch to renewable energy could lead to the decommissioning of over 90% of the country's gas distribution network, with risks of €10 billion of stranded assets.

Cordelio Power
*Wholly-owned by **CPPIB**.*

It was reported in June that renewable energy producer Cordelio Power has raised $301 million in financing to build a 171-MW wind farm in Illinois.

Planetary Pension Progress

- The US$242 billion New York State Common Retirement Fund has deployed over US$18 billion to its Sustainable Investments and Climate Solutions program, and has concluded that oil sands producers Athabasca Oil, Canadian Natural Resources Ltd., Cenovus Energy Inc., Husky Energy, Imperial Oil, and MEG Energy have "failed to demonstrate transition readiness." The pension fund will divest its holdings in these oilsands companies "in a prudent manner and timeframe."
- New York City public pension funds have adopted an implementation plan to achieve net-zero emissions by 2040.
- California's Senate voted in May to direct the state's two largest public pension plans to phase out all fossil fuel investments by 2030.

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Planetary Pension Progress (continued)

- Ireland's elected officials are calling on the Irish government to require a pension scheme for 750,000 workers to exclude fossil fuels and invest a minimum percentage of the funds in domestic renewable energy.
- Following their adoption of reconciliation action plans, two of Australia's largest superannuation funds are publicly supporting a constitutional amendment that would provide the First Peoples of Australia a permanent voice in the country's Parliament and government.
- PFZW, the €217.6 billion pension fund for Dutch healthcare workers, adopted a target to reduce the absolute emissions of its portfolio by 50% by 2030, divested €303 million in equity and corporate bond investments in fossil fuel companies falling behind on aligning their business with the Paris Agreement, and warned another 94 companies that they must disclose a viable energy transition strategy by the end of 2023, including short- and medium-term targets, or face divestment.
- Norway's US$1.4 trillion sovereign wealth fund warned companies that they could face divestment next year if they continue to fail to adequately address climate risk and publish credible decarbonization plans.
- HESTA, the AUS$72 billion fund for Australia's health and community services sector, has achieved its 2030 emissions reduction target eight years ahead of schedule and subsequently strengthened its target, "recognising developments in relation to climate change, including updated scientific research and the Australian Government's increased commitment."

What We're Reading

- Net-zero plans released by fossil fuel companies are 'largely meaningless'
- Position on the Oil and Gas Sector (the Net Zero Asset Owner Alliance)
- Climate Action 100+'s updated Net Zero Company Benchmark
- Net Zero Standard for Oil & Gas (The Institutional Investors Group on Climate Change)
- Divestment and Net Zero: What it means for your Financial Institution (Global Risk Institute)
- OSFI's Annual Risk Outlook (Office of the Superintendent of Financial Institutions Canada)
- Independent audit of OSFI's supervision of climate-related risk (Office of the Auditor General)
- Banking on Climate Chaos (Rainforest Action Network, BankTrack, Indigenous Environmental Network, Oil Change International, Reclaim Finance, Sierra Club, and Urgewald)
- Investing in Climate Chaos (Urgewald)

About Shift

Shift Action for Pension Wealth and Planet Health provides tools and resources for pension beneficiaries who want to engage with their pension managers on the climate crisis.

Canada's largest pension funds manage over $2 trillion: their investment decisions can influence whether businesses in Canada and around the world build electric cars and solar panels, or expand oil production and fossil gas pipelines.

Email us at info@shiftaction.ca to learn more about how your pension fund is handling climate-related risk, and to get involved.

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