PRESS RELEASE

Canadian pension funds are starting to embrace the green transition.

The second annual Corporate Knights Canadian Pensions Dashboard for Responsible Investing shows funds are raising the bar on sustainable investments.

Toronto, Canada, March 28, 2023 – Among large Canadian pensions, the bar for what constitutes best practice for responsible investment is rising rapidly.

In just one year, the number of large Canadian funds with commitments to achieving net-zero emissions by 2050 rose from two funds to 9 (representing $1.8 trillion, or 81%, of total pension fund assets evaluated), with four of those funds having disclosed interim targets for emissions and sustainable investment allocations.

Sustainable investments went from $163 billion to $276 billion, representing nearly 13% of the pension funds’ $2.2 trillion in assets, compared to 7% of $2.1 trillion in 2020. PSP (the Public Sector Pension Investment Board) is a leader among the funds, with 20% ($46.5 billion) of its total assets under management invested in sustainable solutions, defined as investments that align with the PSP Green Asset Taxonomy.

On the carbon emissions front, OTPP (Ontario Teachers’ Pension Plan) reported a substantial 32% reduction in portfolio carbon intensity, while OMERS (Ontario Municipal Employees Retirement System) reduced its intensity by 26%, and AIMCo (Alberta Investment Management Corporation) reported an 18% improvement.

It is encouraging that sustainability is being baked into the governance function, as a total of 10 large funds (up from four last year) now tie executive compensation to the achievement of sustainability targets, although work remains to be done fleshing out the details of these links.

From a risk–return perspective, it is notable that even the past year’s banner performance of oil and gas stocks was not enough to pull the category out of the dungeons when it comes to total returns over the past 10 years. Most notable of all was the staggering 368% cumulative return (double that of the broad market) generated by the 430 companies focused on providing sustainable solutions, illustrating the high stakes of ensuring that assets are aligned with sustainability mega-trends. We look forward to tracking progress in the coming year as more funds add material details and texture to their reporting and targets, while increasing allocations to the sustainable solutions that will power future returns and a planet worth retiring on.
The Canadian pension fund sector is a source of income security and financial prowess respected around the world. In total, the Canadian pension sector controls more than $4 trillion in assets, with more than half that total held by just the 35 largest funds (those with at least $5 billion in assets). As the world moves from incremental to step-change speed in the sustainability transition, being on the leading edge as an asset allocator has large implications for the solvency and relevance of our pension fund system.

The Canadian Pensions Dashboard for Responsible Investing is a tool that shows how pension funds measure up on their environmental, social and governance (ESG) objectives. It sheds light on the current landscape of responsible investing in Canada and makes an opening move that will help measure progress and navigate future decisions. The second iteration of this Dashboard report is written with the intent of providing insights to ensure our pension funds; the “Maple Revolutionaries” are on the leading edge of the sustainability revolution that will determine the wealth of nations in the 21st century.

The Dashboard promotes open dialogue to support a collective effort to reorient how capital is deployed. It presents a number of recommendations for governments, pension funds and beneficiaries, offering a 10-point checklist that covers everything from net-zero commitments to pay ratios to diversity. Incorporating best practices from similar efforts in other countries, it will help funds’ decision-makers demonstrate credible progress, help them have more informed conversations with their beneficiaries and other key stakeholders, and raise the bar.

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Smart Prosperity Institute is a national research network and policy think tank based at the University of Ottawa. We deliver world-class research and work with public and private partners – all to advance practical policies and market solutions for a stronger, cleaner economy.

The Trottier Family Foundation is a private Montreal-based foundation and one of Canada’s leading funders in solutions that mitigate climate change, including initiatives that strengthen the sustainable finance ecosystem.