

Canadian Public Pension Plans: Putting Ideology Above Fiduciary Duty

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Pension funds exist for the exclusive purpose of providing benefits to participants and beneficiaries. This being so, they have a responsibility to order their investments so as to provide the returns necessary to pay members' pensions now and into the future. In other words, a public pension plan is a fiduciary, and as such it has a duty to act solely and exclusively in the interests of its beneficiaries, who will one day become retirees and begin collecting their pensions. This fiduciary duty requires that the public assets be invested solely to maximize financial return.

Unfortunately, over the last decade, maximizing financial return has taken a backseat to other goals. Banks, Corporations, University Endowment Funds, and Public Pension Plans have increasingly succumbed to pressure to politicize their funds, favouring the pursuit of fashionable environmental and social goals above fiduciary ones.

In this report, InvestNow has used two public pension plans, Alberta Investment Management Corporation (AIMCo) and Ontario Teachers' Pension Plan (OTPP), as case studies to illustrate how Environmental, Social, and Governance (ESG) principles, and ideological concerns more generally, are being prioritized in pension plan investments, over and above returns and fiduciary duty.



Executive Summary

- Both AIMCo and OTPP signed the UN Principles for Responsible Investment (PRI), committing to ESG integration in investment decisions.
- ESG factors, especially climate, are now embedded across corporate objectives, ownership practices, employee compensation, and shareholder engagements.
- ESG considerations are increasingly prioritized **over traditional return metrics**, despite growing evidence of **underperformance in ESG-focused funds**.
- AIMCo claims ESG enhances risk-adjusted returns but **cites limited support**; OTPP ties employee bonuses to climate metrics
- Both organizations are reducing exposure to **Canadian oil & gas**:
 - AIMCo models oil & gas as just 5% of energy mix by 2050; is actively divesting.
 - OTPP campaigns against hydrocarbon investments; supports global carbon pricing and discourages investment in Canadian resource sectors.
- OTPP uses **proxy voting and ownership influence** to push climate mandates, even against management and majority shareholders
- AIMCo and OTPP supported the **U.S. SEC's 2024 climate risk disclosure rules**, pushing for stricter regulations.



Introduction

Since 2015, Canadian Pension Plans have increasingly integrated ESG factors into their financial analysis. This has led to irresponsible investment decisions and undue pressure on Canadian companies to adhere to arbitrary guidelines adopted by the funds. Internationally there has been a shift away from ESG investment over the past year. In the United States, the SEC has walked back their ruling that required companies to disclose their climate risks, and in the UK big investment firms are backing out of Net Zero initiatives.¹ But Canadian Pension Plans are slow on the uptake.

In this report we analyse the ESG agendas of two of Canada's large public pension funds – the Alberta Investment Management Corporation and the Ontario Teachers' Pension Plan – and their steady and determined push for ESG investing despite growing evidence that it is fiscally unsound. It is important to note that because these are public funds they are partially funded by the taxpayer. Any politically or ideologically-driven investment decision is being done with taxpayer money. This means that a high level of scrutiny is required for these funds to ensure that they are prioritizing financial returns above all else on behalf of their clients.

A high level of scrutiny is more important in Canada now than ever before. Before his recent entrance into electoral politics, Prime Minister Mark Carney, built a career in both the public and private sectors around promoting ESG investing practices. In April 2021, while serving as U.N. Special Envoy for Climate Action, Carney launched the Glasgow Financial Alliance for Net Zero (GFANZ). The Alliance is "...a stand-alone, private-sector group that focuses on supporting efforts within the financial services sector to achieve the Paris Agreement objectives." Now that Carney is prime minister, pension funds and other financial groups are likely to feel empowered to double-down on their pursuit of an aggressive ESG agenda. They must not do so.

Pension plans must re-focus on ensuring the highest financial returns for their clients. This will not happen without increased pressure from taxpayers and our political representatives.

1. ["Are Asset Managers in the UK quitting ESG?"](#)



Who are these groups?

The Alberta Investment Management Corporation (AIMCo) is an independent crown corporation that manages investments for **most of the Alberta Public Sector Pension Plans**. It has \$179.6 billion in assets under management. The AIMCo Board of Directors is appointed by the Lieutenant Governor in Council of Alberta.²

The Ontario Teachers' Pension Plan (OTPP) is a provincial fund for Ontario teachers. OTPP is funded by contributions from the teachers themselves **as well as matching contributions from the Ontario government**.³ It is Canada's largest single-profession pension plan with \$227.7 billion in assets under management.⁴

All in on ESG, All in on Climate

For over a decade ESG factors have been a core part of OTPP and AIMCo's due diligence before making investments. In 2010, AIMCo signed onto the United Nations Principles for Responsible Investment (PRI) making a formal commitment to incorporate ESG factors into investment analysis and decision making.⁵ OTPP signed onto the PRI in 2011.⁶ The U.N. Principles effectively turn investors into activists for ESG investing. The six principles are commitments to integrate ESG issues into investment analysis; to incorporate ESG issues into their ownership policies and practices; to seek ESG disclosures from companies in which they invest; to promote the acceptance of the principles by the investment industry; to enhance effectiveness of the principles; and to report on progress towards implementing principles.⁷ By committing to these Principles, participants **change the mandate** of their organizations from one focused on high returns to one focused on meeting the above commitments.

Despite increasing evidence that ESG funds underperform and that ESG investing may be directing capital into poor business performers, OTPP and AIMCo continue

2. "Governance," [Alberta Investment Management Corporation](#), Accessed July 14, 2025.

3. "Governance," [Ontario Teachers' Pension Plan](#), Accessed July 13, 2025.

4. "Ontario Teachers' Pension Plan," [World Economic Forum](#), Accessed, July 13, 2025.

5. Responsible Investment Report, [Alberta Investment Management Corporation](#), 2015.

6. "Teachers' signs on to UN-backed Principles for Responsible Investment", [Ontario Teachers' Pension Plan](#), September 15, 2011.

7. "What are the Principles for Responsible Investment?" [Principles for Responsible Investment](#), Accessed July 14, 2025.



to prioritize ESG factors. In 2023, AIMCo cited a **single study** to justify its claim that “the incorporation of ESG considerations is viewed as contributing to enhanced risk-adjusted returns, not sacrificing returns.”⁸ However, there is a growing body of evidence that ESG considerations not only do not enhance returns but hurt portfolio performance.⁹

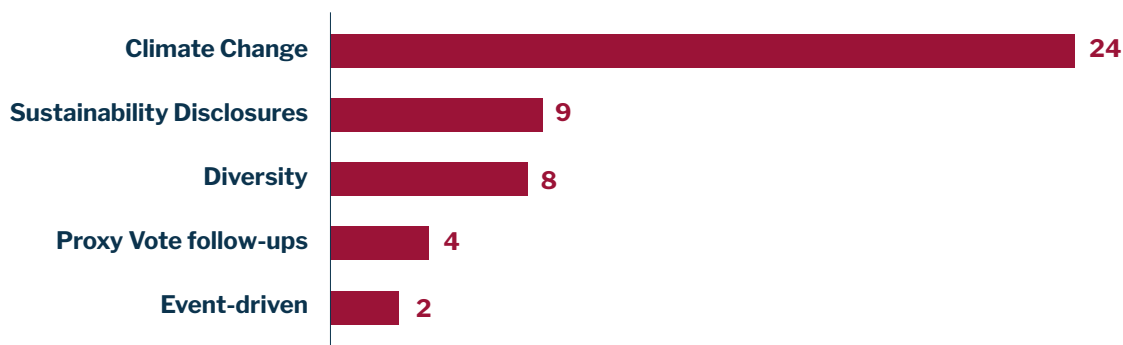
OTPP has gone as far as linking “climate change actions” to how much it pays its employees. OTPP’s 2022 response to the Task Force on Climate-related Financial Disclosures stated, “Each year management prepares a scorecard containing goals and metrics in key areas. The scorecard is used to measure performance and factors into compensation for employees.”¹⁰ In 2023, AIMCo tied employee bonuses to climate objectives as part of their key performance indicators.¹¹

Figure 1

OTTP Shareholder engagement focus

Corporate engagement as a tool to drive change

In 2025, we conducted over 45 proactive engagements on the following topics:



Both organizations **prioritize climate**, more than any other ESG factor. In 2021, more than half of OTPP’s proactive shareholder engagements were focused on “climate

8. ESG Integration Report, [Alberta Investment Management Corporation](#), April 2023.

9. In 2022, the [Harvard Business Review](#) found ESG investing may be “directing capital into poor business performers.” A similar story was published in the [Financial Times](#) in 2023; it told that ESG funds have “noticeably underperformed” and “may not have ever outperformed the market at all.”

10. “Our responses to the Task Force on Climate-related Financial Disclosures,” [Ontario Teachers’ Pension Plan](#), 2022.

11. Climate-related Financial Disclosures, [Alberta Investment Management Corporation](#), December 2023.



change.” OTPP developed a series of signposts to monitor whether the world was on track for a “low carbon” or a “high carbon” future. These signposts include average meat consumption, fossil fuel subsidies, and carbon pricing.¹² AIMCo included ESG integration and in particular climate in its Corporate Objectives for 2023, aiming to “evolve our ESG integration by focusing on climate.” Several teams had division and/or individual objectives with associated key performance indicators tied to this overarching corporate objective.¹³ This is in keeping with the UN PRI, which seeks to integrate ESG principles on every level of corporate activity.

There is no future for Oil and Gas

As of 2023, AIMCo was making business decisions based on the belief that oil and gas is likely to be essentially irrelevant to the global energy mix by 2050, and thus had been reducing its exposure to oil and gas. A 2021 report from AIMCo’s task force for climate-related financial disclosures showed the group is using modeling that predicts oil & gas could be as little as five per cent of the energy mix by 2050.¹⁴ In response to this reporting AIMCo stated that it is actively working to divest from oil and gas. The organization invited Julian Poulter, an “energy transition” expert to speak. AIMCo’s manager for responsible investment nodded along while Poulter argued there is no “profitable” future for fossil fuel companies, and we have now entered their “death knell.”¹⁵

For its part, OTPP has become actively hostile to fossil fuels in their language and their investment practices. A March 2018 OTPP report cited “carbon taxation, market access, electric vehicle adoption and stranded asset possibilities to name a few,” as reasons to reduce investment in hydrocarbons¹⁶ Despite their stated concerns about the potential for carbon taxation to disrupt investment, OTPP has made it very clear that they are in favor of an “international” carbon tax. In 2022, OTPP stated that “For decarbonization efforts to be transformational, the private sector would benefit from greater clarity and support from governments on several issues...Countries can do more to outline, communicate and implement emissions-

12. 2018 Climate Change Report, [Ontario Teachers’ Pension Plan](#), 2018

13. Climate-related Financial Disclosures, [Alberta Investment Management Corporation](#), December 2023.

14. 2021 Task Force on Climate-Related Financial Disclosures (TCFD) Report, [Alberta Investment Management Corporation](#), 2021

15. “The Inevitable Policy Response: Contemplating Climate-Related Transition Risks,” Alberta Investment Management Corporation, [Vimeo](#), 5/31/22, 41:00 – 41:50.

16. “Managing Disruption And The Transition To A Lower Carbon Economy,” [Ontario Teachers’ Pension Plan](#), March 2018.



reductions plans...International cooperation on carbon-pricing mechanisms is also critical.”¹⁷ OTPPP is actively campaigning for a certain investment future, in which investment in the hydrocarbon industry is fiscally unsound. Rather than making investment decisions based on the reality that hydrocarbon investments are profitable, they have been making decisions based on an imagined future reality.

Pushing companies “To Implement the Decarbonization Playbook”

In 2021, OTPPP announced that it would aim to achieve net-zero by 2050 with interim targets for 2025 and 2030. In 2024, the organization announced that it had achieved its 2025 portfolio emissions intensity target one year early.¹⁸

In recent years, OTPPP has boasted about using its considerable influence to pressure companies “to implement the decarbonization playbook” and make “aggressive” climate commitments. OTPPP leadership clearly understands the influence that its financial power gives it to force ESG concerns onto companies. In their Responsible Investing Guidelines they state, “Using influence can be a highly effective and efficient lever to address ESG concerns that are common across sectors and markets.”¹⁹ As part of their 2022 Responsible Investing and Climate Strategy Report they announced, “We are now engaging a first wave of select portfolio companies to implement the decarbonization playbook.” At their 2022 Annual General Meeting, OTPPP leadership boasted about the influence they have over private companies to implement these climate commitments. “On the private side, where we typically have more control, more governance rights, we’re clearly in charge of our own destiny because we could exert a fair amount of influence on the direction of those companies.”²⁰ In its proxy voting guidelines, OTPPP is clear it will vote against board members of companies who have “not taken appropriate action” on climate change.²¹ ESG is not a hidden agenda for OTPPP, it is an explicit part of their corporate playbook

17. “How Digitization, Decarbonization and Disparity Are Shaping the Future of Investing,” [Ontario Teachers’ Pension Plan](#), 2022.

18. “Advancing our climate strategy” [OTPP 2024 Annual Report](#), Accessed July 13, 2025.

19. “Responsible Investing Guidelines,” [Ontario Teachers’ Pension Plan](#), 9/3/20.

20. Annual General Meeting, [Ontario Teachers’ Pension Plan](#), 4/14/22.

21. 2023 Proxy Voting Guidelines, [Ontario Teachers’ Pension Plan](#), 2023.



Weaponizing Shareholder Power

OTPP has tried to use its shareholder power to bully Canadian and American companies to adopt more aggressive climate policies. In 2020, OTPP pressured iA Financial, a Canadian Insurance and Wealth Management company, into analyzing and publishing its “financial risk related to climate change,” despite the Board of Directors recommending shareholders vote against the proposal.²²

In 2023, OTPP tried unsuccessfully to force Imperial Oil and Metro (both Canadian companies) to adopt greenhouse gas emission targets.²³ In both cases management and shareholders rejected the proposals. Imperial Oil’s management said that a detailed emissions cap would be “premature” and the motion was defeated by a margin of 96 per cent to 4 per cent. Metro’s management opposed a similar proposal for greenhouse gas emissions reduction target, and the proposal was rejected by 70 per cent. OTPP also tried to force TD Bank to justify whether its investments were aligned with emission reduction targets.²⁴ Once again the proposal was rejected by TD management and shareholders alike. This aggressive pressure from OTPP runs counter to the advice and guidance to companies’ management, and even to other shareholder wishes.

OTPP also tried to influence American companies, including an attempt in 2020 to force Delta Airlines to align its lobbying activities with the Paris Climate Agreement and an attempt in 2021 to force Exxon Mobil to reduce its emissions in line with Paris.²⁵

A Growing Theme of Hypocrisy

OTPP’s refusal to invest in Canadian oil and gas companies undermines its own commitment to invest in more Canadian companies. Canada’s resource sector is essential to our overall economic prosperity. A 2024 report by Phillip Cross and Jack Mintz for the Macdonald Laurier Institute makes it clear just how essential. Simply pulling a few highlights from the report: Natural resources make up 14.9 per cent of Canada’s GDP; nearly one in ten jobs are related to resources (1.3

22. “ANNUAL MEETING OF SHAREHOLDERS 2020,” [iA Financial Corporation](#), 3/9/20.

23. Proxy Vote, Imperial Oil, [Ontario Teachers’ Pension Plan](#), 5/2/23.

24. Proxy Vote, Toronto Dominion Bank, [Ontario Teachers’ Pension Plan](#), 4/18/24.

25. Proxy Voting, Delta Air Lines Inc., [Ontario Teachers’ Pension Plan](#), 6/18/20.



million Canadians employed); the resource sector accounted for 58 per cent of all Canadian merchandise exports in 2023; and finally (and most importantly for our purposes here) natural resource industries still account for nearly half of all business investment in Canada. This is despite the fact that tax rates on new oil and gas investment are twice as high as for other industries, and that a hostile regulatory environment has persisted over the last several years.²⁶ In summary, a commitment to invest in Canadian companies ought to mean a commitment to invest in Canadian resource companies, but OTPP seems determined to ignore this economic reality.

As of 2023, OTPP proudly stated that direct oil and gas assets made up only 3 per cent of their portfolio. While they boast about shrinking their investment in Canadian hydrocarbon companies, OTPP continues to invest in foreign hydrocarbon companies. As of October 2020, Galaxy Pipelines listed OTPP as owning more than 12 per cent of their company.²⁷ Galaxy Pipelines is a “critical infrastructure network for the Emirate of Abu Dhabi and the UAE. It transports all of Abu Dhabi’s current shale gas production and directly supplies Abu Dhabi’s significant gas demand...”²⁸

OTPP hypocrisy on climate runs deep. Not only do they avoid Canadian clean ethical hydrocarbons while investing in less scrupulous international companies, but they make heavy investments in cryptocurrency which are incredibly energy intensive. One such investment of \$95 million was made in 2022 into FTX. In 2023, OTPP was forced to write off the entire investment amid FTX’s collapse as founder Sam Bankman-Fried faced fraud charges.²⁹ The champion of the FTX investment, Olivia Steedman, also chaired the pension fund’s “Climate Change Working Group.”³⁰ OTPP’s determination to avoid investing in high-performing, ethical Canadian resource companies while unscrupulously investing in foreign companies and other energy intensive sectors has led the organization into an embarrassing fiscal failure.

The SEC

AIMCo and OTPP were among Canadian financial companies which wrote to the SEC in support of then-proposed rules on climate-related disclosures. The proposed rules would “improve and standardize climate-related disclosures for investors.” The

26. <https://macdonaldlaurier.ca/canadas-resource-sector-protecting-the-golden-goose-philip-cross-jack-mintz-paper/>

27. Offering Memorandum, [Galaxy Pipelines](#), October 2020.

28. “GALAXY PIPELINE ASSETS BIDCO LIMITED INVESTOR PRESENTATION,” [Galaxy Pipelines](#), February 2021.

29. Josephine Cumbo and Arash Massoudi, “Ontario Teachers fund steers clear of crypto after \$95mn FTX loss,” [Financial Times](#), 4/21/23.

30. 2017 Responsible Investing Report, [Ontario Teachers’ Pension Plan](#), 2017.



letter stated, “Doing this will unlock opportunities and mitigate risks, supporting our mandates to deliver long-term risk adjusted returns. To deliver on our mandates we need the disclosure of consistent, comparable, and reliable information on climate change from companies.”

Beyond expressing their approval of the proposed rules, AIMCo and OTPP called on the SEC to demand more rigorous reporting from companies. The letter suggested that companies be required to conduct “scenario analysis” on climate-related risks and the net-zero transition; it recommended that the SEC make it harder for companies to use carbon offsets by “excluding the impact of any purchased or generated offsets from the issuer’s reported emissions within the GHG emissions metrics’ provision of the proposal”; and it recommended that companies include their energy transition plan and interim targets in their reporting.

In March 2024, the SEC approved their new rules, forcing companies to disclose their climate risks without including the recommended enhanced measures proposed by AIMCo, OTPP, and other Canadian companies. The rule was immediately and widely challenged in court resulting in a temporary legal stay issued on March 15, 2024. In March 2025, the SEC voted to end its defense of the rules calling them “unnecessarily intrusive.”³¹ These unnecessarily intrusive rules were not intrusive enough for AIMCo and OTPP. They clearly indicated that they would have gone further still.

AIMCo’s Quiet Shift of Direction

There has been a notable change of language, and focus between 2023 and 2024. AIMCo’s 2023 Stewardship Report mentions their membership in Climate Action 100+ several times, and their sustainability report mentions specifically that their approach is guided by the PRI.³²

In contrast, Climate Action 100+ is not mentioned at all in the 2024 Stewardship Report. Moreover, the climate around shareholder engagement appeared to be shifting away from ESG and toward shareholder rights. “Despite the volume of shareholder proposals increasing, average support levels in 2024 for environmental

31. “SEC Votes to End Defense of Climate Disclosure Rules” [Securities and Exchange Commission](#), March 27, 2025.

32. AIMCo Stewardship Report 2023 https://assets.ctfassets.net/lyt4cjmfjno/32fGzmUS45Sum27gYUAKFO/578f113ddb-87cacc31a1104bbd8f9115/AIMCo_Stewardship_Report_2023.pdf



and social (E&S) shareholder proposals have continued to decrease from their 2021 highs, whereas support has increased for governance proposals centred around shareholder rights.” The organization did not attribute this change in engagement quality to shifting political winds but rather to “... more prescriptive proposals making it onto the ballot; investors increasingly adopting a case-by-case evaluation approach in response to amplified scrutiny of ESG issues; and/or progress made by companies in addressing ESG concerns that renders some proposals duplicative.”³³

The organization did acknowledge growing pushback against ESG proposals in a new section of their Stewardship Report titled “Anti-ESG Shareholders Proposals.” This suggests that the issue was big enough that it could not be ignored by AIMCo. Indeed, they report AIMCo voted on four times as many anti-ESG proposals compared to 2023. They report that shareholder support for these proposals has remained low. “Since the introduction of proposals from anti-ESG proponents a couple of years ago, there has been very little shareholder support (~2-3% on average).”³⁴

Conclusion

Since its inception, Environmental, Social and Governance (ESG) investing has tended to focus first and foremost on the E in ESG. That is, ESG investing has focused on net-zero pledges, the elimination of fossil fuels, and the promotion of an energy transition. Public pension plans and the people that oversee these funds must disavow these ideologies and act for the one and only purpose of providing benefits to participants and beneficiaries. Fiduciary duty must be pursued to the exclusion of all other pursuits.

33. AIMCo Stewardship Report 2024 https://assets.ctfassets.net/lyt4cjmfjno/1mtkU0FB1kxlbYfmpLhGF8/fbfe-660401b2a2898e27837cea41a04d/2024_Stewardship_Report.pdf

34. Ibid.