

PRI RESPONSE

CANADIAN ASSOCIATION OF PENSION SUPERVISORY AUTHORITIES DRAFT PENSION PLAN RISK MANAGEMENT GUIDELINE

September 2023

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United Nations
Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Canadian Association of Pension Supervisory Authorities request for comment on the Pension Plan Risk Management Guideline.

ABOUT THIS CONSULTATION

On June 28, 2023, the Canadian Association of Pension Supervisory Authorities released its revised draft CAPSA Guideline for Pension Plan Risk Management for public comment. The Guideline's purpose is to support plan administrators in fulfilling their fiduciary obligations, including appropriate consideration of their applicable standard of care.

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KEY RECOMMENDATIONS

The PRI welcomes this opportunity to provide CAPSA with feedback on the revised Pension Risk Management Guideline.

The revised guideline clearly articulates that the legal duties of pension plan administrators require them to take into consideration any factors that are relevant to their legal purpose to provide a pension, and to act accordingly. This position aligns with the findings of [A Legal Framework for Impact \(LFI\)](#), a research report which finds that investors are broadly permitted to consider pursuing sustainability impact goals where this would contribute to their financial return objectives.

Where a decline in sustainability poses a threat to achieving financial goals, investors are under a duty to consider what, if anything, they can do to mitigate the risk. Investors can use any means available to them including stewardship such as corporate engagement, engagement with policymakers and other third parties, and investment decisions, all in relation to any size of investment or asset class. This investment approach, referred to in the research as *Investing for Sustainability Impact (IFSI)*, tackles the root cause of the sustainability risk. It differs from ESG integration, where an investor seeks to alter the fund's position in relation to such risks.

CAPSA's revised guideline is a valuable tool for Canadian pension fund administrators. The PRI is pleased to provide the **following key recommendations**:

- Revise the following phrase in Section 2.1 to include: "Plan administrators are encouraged to adapt their risk management practices reflecting their plan's *investment beliefs*, specific circumstances and the risks being assumed". Investment beliefs are foundational to how administrators understand the fulfilment of their fiduciary duties; they influence the development and execution of a fund's investment strategy, policies and risk appetite.
- Include the action of goal setting in Section 6.3.5 so that investors consider identifying and pursuing sustainability impact goals at the portfolio level to inform setting targets, limits or standards for investment decisions and ownership activities. Commitment to sustainability impact goals, such as aligning with the Paris Agreement, should reflect the fund's investment beliefs, and should be required in cases where doing so would reduce financial risk and improve returns over time.
- In Section 6.3.6, annual minimum disclosure should include reporting on any assessable progress made toward sustainability impact goals and interim targets set by the fund.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Canadian Securities Administrators further to support the adoption of a wider corporate disclosure regime built upon the formal adoption of ISSB Standards in Canada.

Please send any questions or comments to policy@unpri.org.

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