

Climate Action Plan

Pension Plan of The United Church of Canada (PPUCC)

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Introduction

About Us

The Pension Plan of The United Church of Canada (PPUCC) is a multi-employer defined benefit plan for ministry personnel and employees of the church. The Plan had 9,600 members and assets under management (AUM) of \$1.5 billion as of December 31, 2024.

As a long-term investor, PPUCC has a long-standing commitment to responsible investment. As stated in the Plan's [Statement of Beliefs and Guiding Principles](#), we believe that we can be a positive force influencing the companies we invest in and advancing the values expressed by the Church while generating financial returns in line with our fiduciary duty to plan members. This belief is also reflected in our [Statement of Investment Policies and Procedures](#).

Within this context, PPUCC recognizes that climate change poses significant risks to long-term investment returns. These include physical risks, such as extreme weather events that can affect the value of assets we invest in, as well as transition risks, such as new regulations, as companies and markets adapt to a low-carbon economy. As stewards of our members' capital, the Pension Board ("the Board") is committed to actively managing these risks.

Net-zero Commitment

In 2022, PPUCC committed to achieving net-zero greenhouse gas (GHG) emissions in our investment portfolio by 2050, meaning our investments will either not emit GHGs or will use mechanisms to remove GHGs by this date. This goal aligns with the objectives of the [Paris Agreement](#), an international agreement to limit global temperature rise to well below 2 degrees C, and preferably to 1.5°C, above pre-industrial levels. PPUCC is also a signatory to the [Canadian Investor Statement on Climate Change](#) which affirms this goal. Establishing an implementation plan to meet these goals is an objective of the [Pension Board's 2023-2027 strategy](#).

[Callout – Climate Action Plan Definition]

This Climate Action Plan (CAP) operationalizes our net-zero goal by describing how we will integrate our commitment into PPUCC's governance, investment processes and engagement activities with asset managers and portfolio companies. It also describes the metrics and targets we will use to track our progress on our journey to net-zero.

Our Levers to Support Net-zero

As an asset owner that utilizes external investment managers to invest on our behalf, PPUCC is focused on the actions we can take to influence the low-carbon transition. Generally, the levers we focus on are:

- **Investment integration:** Assess our managers' approaches to climate and set expectations that they integrate climate considerations into their investment processes

- **Capital stewardship:** Communicate our climate expectations to managers and companies we invest in and encourage companies to improve their practices over time. Engagement can occur directly, through third-party service providers or investor-led collaborative initiatives

Our Targets

We have set three targets to support our net-zero goal and track progress over time:

Category	Target
Financed Emissions	Reduce our financed GHG emissions intensity (tCO ₂ e/\$ million invested) by 20% by 2030 compared with a 2024 baseline. ¹
Manager Engagement	Annually engage 100% of our managers on their approach to climate, including: <ul style="list-style-type: none"> • How they integrate climate into their investment process • Climate targets they have set for their portfolio • How they identify and manage climate-related risks and opportunities • Their engagement efforts with companies on climate
Company Engagement	Annually engage 20 investee companies with the highest financed emissions ² in our portfolio on their climate transition, focusing on areas such as setting credible transition plans, reducing emissions, and improving climate-related disclosures. Engagement may occur directly, through our investment managers or through our third-party engagement service provider

The CAP draws on guidance from global investor frameworks such as the International Investors Group on Climate Change (IGCC) [Net Zero Investment Framework](#), the Net-Zero Asset Owners Alliance (NZAOA) [Target-Setting Protocol](#), and the [Task Force for Climate-related Financial Disclosures \(TCFD\)](#).³

¹ Our targets cover public equity and corporate debt, which accounts for 56% of PPUCC's AUM. They do not cover government bonds, private equity or real estate. As data availability and quality improve, we expect to expand our inventory boundary to quantify emissions associated with these investments.

² Financed emissions are the GHG emissions associated with the investment and lending activities of financial institutions (PCAF Standard, Part A (2022)).

³ As of 2023, the TCFD recommendations were integrated into the International Sustainability Standards Board (ISSB) IFRS S2 Climate-related Disclosures, as well as Canadian Sustainability Disclosure Standards 2 (CSDS 2), which is Canada's adaptation of IFRS S2.

Our Climate Action Plan

<i>Our Goal</i>	Net Zero in Our Investment Portfolio by 2050	
<i>Targets</i>	Financed Emissions Reduce financed GHG emissions intensity (tCO ₂ e/\$ million invested) by 20% by 2030 compared with a 2024 baseline	Engagement Engage 100% of our managers and our 20 companies with the highest financed emissions in our portfolio on their approach to climate
<i>Oversight</i>	Governance Our policies and reporting structures that support execution of the CAP	
<i>Levers</i>	Investment Integration Assess our managers' approaches to climate and set expectations that they integrate climate considerations into their investment processes	Capital Stewardship Communicate our climate expectations to managers and companies we invest in and encourage companies to improve their practices over time

Governance

We have defined the responsibilities, policies and reporting structures that will support the implementation of our Climate Action Plan (CAP).

Roles and Responsibilities

The General Counsel Executive (GCE) holds ultimate accountability for the PPUCC and has delegated responsibility for the CAP and the broader responsible investment approach to the Pension Board, as described in the Responsible Investment Process Guidance. The PPUCC Pension Board has formed the Sustainable Investment Working Group (SIWG) of the Board to assist it with this mandate. The Investment Committee (IC) meets quarterly to review investment matters including related to responsible investment, including the Plan's engagement activities and proxy voting. The IC considers the results from engagement with managers and companies, including analysis of investment management annual engagement plans, records of engagement activities and proxy voting outcomes. To ensure PPUCC's Board (including the SIWG) and IC are well-equipped to oversee the execution of the CAP, they will receive periodic training on topics related to climate. Staff will also receive ongoing training tailored to their roles to strengthen execution capacity and build organizational knowledge on climate.

PPUCC staff are tasked with the day-to-day implementation of the CAP. Their responsibilities include collecting relevant data, coordinating engagement activities with service providers, maintaining regular communications with investment managers on climate expectations, leading structured engagements and interviews with managers and providing updates to the IC, SIWG and the Board.

PPUCC's investment managers are responsible for integrating climate considerations, including our targets, into PPUCC's investments and their engagement with portfolio companies.

Policies

PPUCC's Statement of Investment Policies and Procedures (SIPP) outlines the Plan's approach to responsible investment, emphasizing the integration of environmental factors that may impact the long-term sustainability of the fund. PPUCC is dedicated to being an active owner of its investments, which includes proxy voting at Annual General Meetings (AGMs) and direct engagement with companies. We engage with investee companies through our managers and through service providers, as well as through collaborative engagement initiatives with other investors.

Reporting

PPUCC staff will provide annual (or more frequent as requested) updates to the SIWG, the IC and the Board on progress against our financed emissions and engagement targets.

To provide transparency for our stakeholders, PPUCC will report on its progress in our Annual Report, including advancements toward interim financed emissions targets and engagement activities. This will include:

- Financed emissions metrics (both absolute and intensity)
- Performance against our targets
- Engagement and proxy voting activity in relation to our climate engagement strategy
- Insights on how our managers are integrating climate into their investment and engagement activities

Our Annual Report will highlight significant year-over-year changes and adjustments to data or methodologies as appropriate. Progress on our CAP will be integrated into PPUCC's current sustainability reporting under the Responsible Investment Report section of our Annual Report.

CAP Review

We will review our CAP every five years⁴, in coordination with our regular strategic planning cycle, and update it as required to reflect the latest climate science and guidance for asset owners.

⁴ We may review the CAP earlier, as needed, to address significant changes such as the availability of new guidance, changes to UCC's financed emissions baseline or new regulatory requirements.

Investment Integration

PPUCC aims to manage investment risks related to climate change and to embed our climate targets within our investment processes. PPUCC uses external investment managers to invest on our behalf. As such, we take steps to integrate climate considerations into manager selection and monitoring. We are also taking steps to better understand PPUCC's exposure to climate-related risks and embed climate risks into our approach to Enterprise Risk Management (ERM).

Manager Selection and Monitoring

PPUCC's managers are expected to integrate climate considerations into investment decision-making for both new investments and existing portfolios, with the approach varying appropriately by mandate and strategy. We expect managers to:

- Demonstrate how climate risks are integrated into their investment processes
- Assess and report on physical and transition risk exposure
- Engage with high-emitting companies
- Participate in collaborative engagement where applicable
- Provide transparency into fund-level emissions where data is available

We evaluate and monitor manager practices through several channels. This includes manager due diligence that assesses their approach to climate (e.g. climate risk processes, the influence of climate considerations on investment decisions, the use of climate data or scenario analysis). We also evaluate managers' sustainability practices through annual reviews, which assess climate integration and maturity, engagement activities with portfolio companies and proxy voting practices.

Risk Management

In the context of PPUCC's investments, we consider two types of climate risks:⁵

- **Physical risks:** risk to assets or supply chains from extreme weather events
- **Transition risks:** financial and reputational risks posed to companies emanating from market changes as the world shifts to a low carbon economy

As part of ongoing manager engagement, PPUCC will work to better understand how managers are considering climate-related risks and opportunities. PPUCC will also explore opportunities to conduct portfolio-level qualitative scenario analysis as its approach to climate risk management evolves.

⁵ Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

Capital Stewardship

PPUCC’s Responsible Investment Process Guidance and the Plan’s [Statement of Beliefs and Guiding Principles](#) emphasize the importance of engagement with portfolio companies to positively influence corporate behavior—an approach often referred to as ‘capital stewardship.’ Through active engagement with companies on their approach to climate, we aim to influence real world outcomes and support the broader transition to a net-zero economy. Through our engagement activities, we will encourage investee companies to improve their practices in areas that reduce investment risk, including climate risk. For example, we may ask companies to set emissions targets, develop climate transition plans or disclose their climate-related risks and opportunities.

We recognize that we will not be able to engage with every company on climate, and that companies in high-emitting sectors may present greater climate risk. We therefore prioritize companies with the highest financed emissions in our portfolio and those who have less advanced approaches to managing their climate risks. We leverage external frameworks like [CA100+](#) and the [Climate Engagement Canada Net-Zero Benchmark](#) to help us in assessing company maturity on management of climate risks. As part of PPUCC’s Climate Action Plan (CAP) and in alignment with relevant standards, we have set two engagement targets. Details on how we plan to meet these goals is discussed below.

Manager Engagement	Company Engagement
Engage 100% of our managers each year on their approach to climate and engagement efforts with portfolio companies	Annually engage with the 20 investee companies with the highest financed emissions in our portfolio

Manager Engagement

PPUCC primarily engages with managers through quarterly discussions and annual sustainability reviews. Additionally, PPUCC reviews annual sustainability reports from managers and their submissions to the Principles for Responsible Investment (PRI) Assessment Framework or Global Real Estate Sustainability Benchmark (GRESB).

PPUCC will update manager reviews to incorporate the objectives of the CAP. We are also updating manager reporting to include key elements to facilitate progress tracking on manager practices, including:

- Portfolio-level financed emissions (scope 1 and 2)
- Fossil fuel exposure by category (thermal coal, oil sands, etc.)
- Proxy voting summaries on climate-related shareholder resolutions
- Progress on engagements conducted on our behalf with high-emitting companies in our portfolio

Company engagement

As part of our CAP, we have set a target to annually engage with the 20 investee companies with the highest financed emissions in our portfolio. These companies collectively represent 63% of PPUCC's financed emissions, as of 2024. We engage with companies through several different mechanisms:

- We work with an external service provider, SHARE, to engage companies in our portfolio. We will work with SHARE to support engagement coverage and discuss priorities across our 20 target companies
- We use a proxy voting service provider to vote shares held in separate accounts, aligning our voting with our climate targets, where possible. For pooled funds, we monitor the voting record of the applicable managers
- We participate in coordinated institutional investor engagements through Climate Engagement Canada (CEC)
- We will also discuss engagement with our 20 target companies with the applicable manager

Our discussions with companies will focus on climate transition alignment, including, for example, company progress in the following areas:

- Implementing climate governance
- Committing to net-zero
- Setting science-aligned interim targets
- Developing credible climate transition plans
- Disclosing management of climate-related risks and opportunities in line with accepted guidance (e.g. TCFD recommendations)

Our engagements will also continue to cover other key priorities for PPUCC, including human rights, Indigenous rights, and racial and economic inequality which all contribute to creating a just transition.

Escalation

If companies fail to demonstrate progress after continued engagement, PPUCC will discuss an appropriate response with our managers in the context of its regular review of long-term risks to the investment portfolio. This response may include other forms of engagement or, in rare cases, could include requesting that managers exit the investment. Additionally, if PPUCC believes that managers are not meeting expectations for engagement with companies, PPUCC will consider termination.

Reporting

We will report on our engagement efforts in the Responsible Investment Report section of our Annual Report, including proxy voting activities and engagement outcomes.

Metrics and Targets

We have set financed emissions and engagement targets to support our long-term goal to achieve net-zero by 2050. Below we describe our targets and describe the metrics and data sources we will use to track progress.

Financed Emissions

PPUCC utilized the Partnership for Carbon Accounting for Financials (PCAF) Global GHG Accounting and Reporting Standard [Part A](#) methodology to calculate our financed emissions inventories.

PPUCC uses a third-party data provider to supply scope 1 and 2 emissions data for our public equity and corporate bond investments, which currently represent approximately 56% of our total assets as of December 31, 2024. Although our data provider shares data on scope 3 emissions, we currently do not quantify our exposure to these emissions annually for purposes of our targets. We will seek to quantify and report on the scope 3 emissions of our investments as data quality and availability improves.

[Callout – Scope 1, 2, 3 GHG emissions]

Scope 1 ⁶	Scope 2	Scope 3
Emissions from sources that are owned or controlled by the company (e.g. boilers, furnaces)	Emissions from purchased electricity	Indirect emissions from a company's value chain from sources that are not owned or controlled by the company

The portion of the portfolio for which financed emissions data is available can fluctuate annually due to changes in exposure to government bonds and private assets. We aim to increase the coverage of financed emissions data to include additional asset classes over time.

We report our financed emissions annually in the Responsible Investment section of our Annual Report, including absolute emissions (tonnes of CO₂e), emissions intensity (tonnes of CO₂e per \$ million invested), scope of inventory and coverage of assets quantified.. We will also evaluate this performance against our financed emissions targets and our investment benchmark.

Financed Emissions Target

As part of our Climate Action Plan (CAP), we set an interim target to drive near-term progress toward our 2050 net-zero goal. This target is informed by guidance from the Net-Zero Asset Owner Alliance (NZAOA), a widely accepted net-zero standard for asset owners.

⁶ Greenhouse Gas Protocol

Our Target

Element	PPUCC Approach
Target	<ul style="list-style-type: none"> • 20% reduction in tCO₂e/\$ million invested by 2030 relative to a 2024 base year • Our target is informed by guidance from NZAOA, which recommends financed emissions targets that are between 40-60% reduction by 2030, relative to a 2019 base year.⁷ This range is considered science-aligned as it aligns with the IPCC P1-P3 pathway • PPUCC is targeting a reduction below the range to account for a 2024 base year
Scope	<ul style="list-style-type: none"> • Our target covers our listed equity and corporate fixed income portfolio. As our data availability and coverage improves over time, we will consider increasing the proportion of our portfolio covered by an interim financed emissions target
Limitations	<ul style="list-style-type: none"> • This target-setting approach assumes that our portfolio is aligned with the IPCC pathway— i.e. that the NZAOA reduction range applies to our portfolio—and that it does not require a greater than average reduction to achieve net-zero.

We consider our financed emissions target to be an important indicator of progress towards our net-zero goal. We recognize that achieving our target will ultimately require the companies we invest in to reduce their emissions. This will depend on a range of factors, such as the availability of new technologies, the overall carbon-intensity of the grid and government policy. If governments and companies do not meet or drop their stated climate targets then it will impact PPUCC’s ability to achieve our financed emissions reduction goals. We also recognize that divestment from high-emitting companies will not reduce real world emissions. We therefore focus our efforts on engaging companies in our portfolio to reduce their emissions. We intend to reassess our financed emissions target every five years.

⁷ [Target-Setting Protocol, Fourth Edition](#), UN-convened Net-Zero Asset Owner Alliance

Looking Forward

We recognize that setting interim targets and developing our Climate Action Plan (CAP) is just one step in our journey to reach net-zero. As we take steps to execute our CAP, we expect to continue to refine our approach. We are committed to transparency as our approach evolves over time. Below are the areas we will focus on over the next year.

Operationalizing our CAP

Our initial iteration of the CAP focuses on establishing foundational targets and processes to track progress over time. We are now focused on integrating these processes and targets into our daily investment activities, including:

- Ensuring our climate targets and expectations are communicated to managers, and integrated in our manager reviews and discussions
- Leveraging our financed emissions data to identify and prioritize companies for engagement and determining the method of engagement (e.g. via managers, service providers or other collective engagement initiatives)
- Communicating our efforts and results regularly to Plan members

Data Quality and Coverage

We are also working to enhance financed emissions data coverage for our portfolio, and over time will look to improve scope 1 and 2 GHG emissions coverage for our real estate, infrastructure and private equity investments.

As we continue to grow our engagement efforts with companies, we will consider opportunities to expand the coverage of our engagement target to include a larger portion of high-emitting companies or assets in our portfolio. Additionally, we will seek opportunities to collect other metrics to better inform our engagement efforts, such as the number of our investment companies that are 'transition-aligned.'

Climate Risk Management

We view our CAP and interim targets as complementary to our overall approach to climate risk management. As part of this approach, we will continue to ask managers for information about how they are integrating climate-related risks and opportunities into their investment processes.

Additionally, we will seek opportunities to conduct qualitative portfolio-level climate scenario analysis in line with established guidance to better understand how our portfolio will perform under various warming scenarios.

Glossary

Capital stewardship: “The use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend.” (PRI)⁸

Climate related risk: “The potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g. cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g. sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations” (TCFD)⁹

Financed emissions: “Absolute emissions that banks and investors finance through their loans and investments” (PCAF)¹⁰

Just transition: “Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind” (International Labour Organization)¹¹

Net zero: “Net zero carbon dioxide (CO₂) emissions are achieved when anthropogenic CO₂ emissions are balanced globally by anthropogenic CO₂ removals over a specified period” (IPCC)¹²

Physical risk: “Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations’ financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations’ premises, operations, supply chain, transport needs, and employee safety” (TCFD)¹³

Proxy voting: “The exercise of voting rights on management and/or shareholder resolutions to formally express approval, or disapproval, on relevant matters. This includes being responsible for how votes are cast on topics that management raises and submitting resolutions as a shareholder for other shareholders to vote on, in jurisdictions where this is possible. Investors can vote in person

⁸ <https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article>

⁹ <https://www.tcfhub.org/Downloads/pdfs/E02%20-%20Glossary%20&%20Abbreviations.pdf>

¹⁰ <https://carbonaccountingfinancials.com/en/standard#a>

¹¹ <https://www.eurofound.europa.eu/en/european-industrial-relations-dictionary/just-transition>

¹² https://www.ipcc.ch/site/assets/uploads/sites/2/2022/06/SR15_AnnexI.pdf

¹³ <https://www.tcfhub.org/Downloads/pdfs/E06%20-%20Climate%20related%20risks%20and%20opportunities.pdf>

during an Annual General Meeting (AGM), or by proxy – using a person or firm, such as an investment manager, to vote on their behalf” (PRI)¹⁴

Scenario analysis: “A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time” (TCFD)¹⁵

Scope 1, 2, 3:

- “Scope 1 refers to all direct GHG emissions
- Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam
- Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. transmission and distribution losses), outsourced activities, and waste disposal” (TCFD)¹⁶

Transition risk: “Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations” (TCFD)¹⁷

¹⁴ https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937_article

¹⁵ <https://www.tcfhub.org/Downloads/pdfs/E02%20-%20Glossary%20&%20Abbreviations.pdf>

¹⁶ <https://www.tcfhub.org/Downloads/pdfs/E02%20-%20Glossary%20&%20Abbreviations.pdf>

¹⁷ <https://www.tcfhub.org/Downloads/pdfs/E06%20-%20Climate%20related%20risks%20and%20opportunities.pdf>