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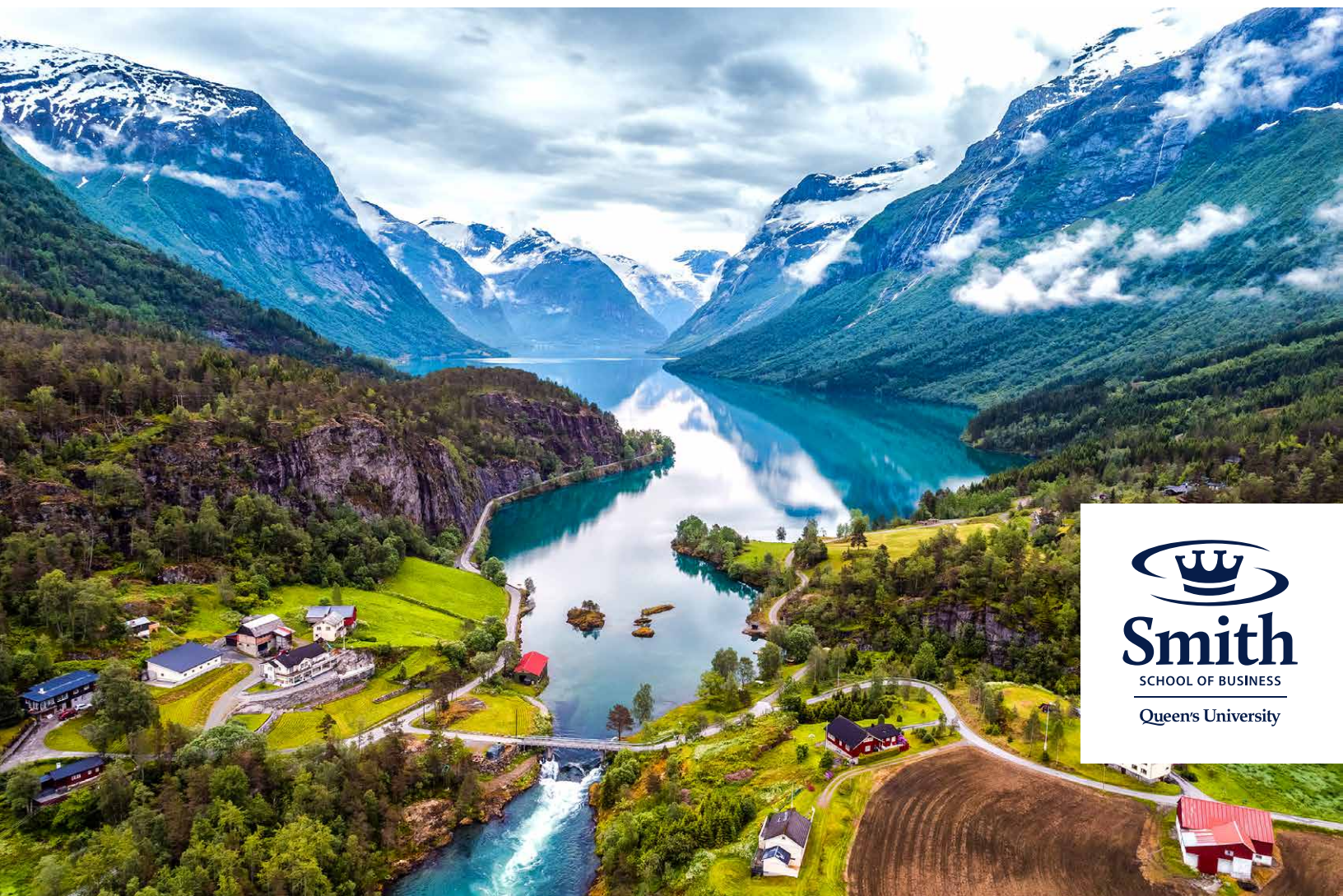
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DISCUSSION PAPER

Owning the transition

How the world's largest sovereign wealth fund
engages companies on climate transition risk

October 2026




Smith
SCHOOL OF BUSINESS
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EXECUTIVE SUMMARY

On 27 April 2026, Prime Minister Mark Carney announced the establishment of Canada's first national sovereign wealth fund, the Canada Strong Fund (CSF).¹ The CSF will be seeded with \$25 billion in federal money and will invest domestically to help Canada build its future economy.² Its mandate specifies investment in conventional energy, which has raised concerns about how the fund will coexist with Canada's substantial climate commitments. To manage that tension, Canada can look to Norway.

Norway manages the largest sovereign wealth fund in the world, the roughly USD\$2-trillion Government Pension Fund Global (GPF).³ And it shares much with Canada, including a commitment to emissions reduction and large hydrocarbon reserves; indeed, the fund was built entirely from oil revenue, though investment returns now account for much of its recent growth in value.^{4,5} This paper documents how Norway uses the GPF to manage the apparent contradiction of being a large oil producer that is committed to sustainability. This approach is also very relevant to Canada's investment agenda following the Carney government's Canada Investment Summit where Norway's and other large foreign sovereign wealth funds were presented with opportunities to invest more in Canada. Canadian firms seeking investment from Norway's SWF should understand its engagement practices around sustainability.

We highlight two activism channels through which the GPF manages transition risk. First, we examine its proxy voting in the firms it owns. Proxy voting lets shareholders press management on issues material to the firm, and we focus on votes on proposals that aim to strengthen or weaken a firm's climate policy. Norway supports proposals to strengthen climate policy 70.3 per cent of the time, against just 12.6 per cent for Vanguard, BlackRock and State Street, the three largest U.S. asset managers, and it never once backed a proposal that sought to weaken climate policy.⁶

The GPF also pursues activism at firms it does not hold, by "naming and shaming" them through a public list of companies it has divested from and will not invest in going forward.⁷ The list gives the date and the reason for each exclusion, which lets us examine the effect that being listed has on firm behaviour. We find that a firm's emissions fall after Norway excludes it on environmental grounds.

The paper also examines how firms' environmental policies change while the GPF owns them. If the GPF's pro-climate voice is heard by management, the climate policies of the firms it owns should strengthen. Indeed, we find that an investment by the GPF is associated with more ambitious emissions-target setting: firms become about 9.7 percentage points more likely to reduce their absolute emissions target, and their per-unit of carbon target falls by about 8.7 per cent of the firm's emissions compared to investments by other SWFs.

These findings hold a practical lesson for Canada. As Canada stands up the Canada Strong Fund and steers a resource-based economy through the energy transition, Norway shows how a large public owner can use its voice to lower the transition risk of the firms it owns, while still investing in carbon-intensive industries. Canada's large public pension funds, which already own transition-exposed firms and engage their managements, face the same opportunity. Indeed, with far larger pools of capital and mainly foreign portfolios, these pension funds may be even better placed than the CSF to exercise Norwegian-style stewardship.⁸ For both, Norway's example suggests that how a fund stewards and discloses its ownership, and not only which assets it buys, will shape whether public capital helps build an economy that manages transition risk rather than adding to it.

1 Prime Minister of Canada, [announcement of the Canada Strong Fund](#), 27 April 2026.

2 Department of Finance Canada, [Canada Strong Fund](#).

3 Norges Bank Investment Management, [Responsible Investment 2025](#).

4 Norges Bank Investment Management, [About the fund](#).

5 Norges Bank Investment Management, [About the fund](#).

6 Findings outlined in this document are drawn from the underlying study: Calluzzo, P. and Dudley, E. (2026). Environmental activists or passive investors? Climate risk and sovereign wealth fund investments. Working paper.

7 Norges Bank Investment Management, [Observation and exclusion of companies](#); Council on Ethics for the Government Pension Fund Global.

8 See the sources on Canada's public pension funds in the concluding section: the eight largest manage roughly \$2 trillion, with more than three quarters invested outside Canada ("[Bring Canada's pension funds back home to build our own economy](#)," Policy Options, December 2025).

INTRODUCTION

Canada is establishing its first national sovereign wealth fund. The Canada Strong Fund, announced in April 2026,⁹ will invest federal capital domestically alongside private investors across clean and conventional energy, critical minerals, agriculture and infrastructure.¹⁰ At the same time, Canada is courting global investors to advance its pro-development agenda, most prominently through its Canada Investment Summit in September, 2026.¹¹ Among the invited international investors were foreign sovereign wealth funds from Norway and the Middle East with trillions of dollars in assets under management. Canada has also made significant climate commitments. Under the Paris Agreement it is legally committed to net zero by 2050.¹²

A public investor shapes the transition risk of the firms it backs through two distinct channels. The first is screening: which firms it chooses to buy or to avoid. The second is stewardship: how it engages the firms it already owns, through voting and the public expectations it sets. A great deal is known about screening, but far less about what large public investors actually do once they are owners, which is the stewardship channel that this paper examines.

Norway offers an especially apt model. Its Government Pension Fund Global is the world's largest sovereign wealth fund, at roughly USD\$2-trillion.¹³ Norway also resembles Canada closely: it is a petroleum- and resource-rich economy that has made climate commitments comparable to those Canada has set for itself, and it scores near the top of the Environmental Performance Index, a Yale University measure that ranks countries on how close they are to established environmental-policy goals.¹⁴ Most important for present purposes, the GPFG is transparent enough that some of its conduct, even after it invests, can be directly observed.

The question matters well beyond these two countries. Sovereign wealth funds now hold about USD\$12-trillion in assets,¹⁵ and a large and rising majority of them report considering climate risk in their investment decisions.¹⁶ The findings are also applicable to other investors concerned about sustainability and transition risk, such as Canada's large public pensions.

This paper asks what Canada's new fund, and Canada's large pension funds, can learn from Norway's conduct as an owner. It first sets out the Canadian context, then explains why Norway's transparency makes its engagement observable. It then presents three kinds of evidence: how Norway votes, which firms it excludes, and whether the firms it owns set more ambitious emissions targets. It closes with the implications for Canada.

THE CANADIAN CONTEXT

The Canada Strong Fund is to be seeded with \$25 billion of federal money over three years and structured as an arms-length Crown corporation; its leadership had not been named as of mid-2026, and a transition office is finalizing its governance.¹⁷ It will invest domestically, alongside private capital, in clean and conventional energy, critical minerals, agriculture and infrastructure, seeking commercial returns, and it will include a first-of-its-kind retail product.¹⁸

9 Prime Minister of Canada, announcement of the Canada Strong Fund, 27 April 2026.

10 Department of Finance Canada, [Canada Strong Fund](#).

11 Government of Canada, [Canada Investment Summit](#), 14-15 Sept. 2026

12 Canadian [Net-Zero Emissions Accountability Act](#) (2021).

13 Norges Bank Investment Management, [Responsible Investment 2025](#).

14 [Environmental Performance Index](#), Yale Center for Environmental Law and Policy.

15 Deloitte (March 2025): [Growth in funds, assets, drives SWF competitive landscape](#).

16 International Forum of Sovereign Wealth Funds (IFSFW), [Hidden Currents](#).

17 Department of Finance Canada, [Canada Strong Fund](#).

18 Department of Finance Canada, [Canada Strong Fund](#).

Because its mandate includes conventional energy and it can help finance major energy projects, the Fund will own transition-exposed domestic firms. This makes the question of post-investment stewardship immediate rather than hypothetical. Critics note that the major projects advanced through Canada's Major Projects Office carry no published climate-risk evaluation.¹⁹

Canada has made substantial climate commitments. Under the Paris Agreement its current 2030 target is a reduction in greenhouse-gas emissions of 40 to 45 per cent below 2005 levels,²⁰ and it is legally committed to net zero by 2050 under the Canadian Net-Zero Emissions Accountability Act.²¹ At the 2023 United Nations climate conference (COP28), countries agreed to begin transitioning away from fossil fuels. At the same time, the federal government has recently shifted toward faster energy development, moving to drop the planned oil-and-gas emissions cap and ending the consumer carbon price, while acknowledging that near-term emissions may run higher.²²

Norway and Canada are both petroleum- and natural-resource-rich economies that have adopted comparable climate commitments, including the Paris Agreement and net zero by 2050. This shared profile, a resource-rich state deploying public capital while committed to the transition, is a central reason Norway's experience is instructive for Canada. The same stewardship question extends to Canada's large public pension funds, which also engage the companies they own and can shape their transition risk, and which this paper takes up in its conclusion.

WHY NORWAY IS OBSERVABLE

Where the climate engagement of most large investors must be inferred from indirect evidence, Norway's Government Pension Fund Global can be observed directly. Two behaviours in particular are open to outside scrutiny after the fund has invested.

The first is its voting. Norges Bank Investment Management has published its full proxy-voting record since 2013, and since 2021 it pre-discloses its voting instructions five days before shareholder meetings where practicable and explains its votes against management.²³ Its voting guidelines are explicitly conditioned on climate: the fund will not support directors where there are material failures in the oversight, management or disclosure of climate risk, and it votes against company climate plans that fall short.²⁴

The second is its exclusions. An independent Council on Ethics recommends observation or exclusion and Norges Bank decides, and the resulting list, together with the dates and the rationale (which often include environment concerns) for each decision, is made public.²⁵ An outsider can therefore see not only how the fund votes but which firms it is unwilling to own, and why.

Beyond these two behaviours, the fund also publishes its expectations of companies on climate change²⁶ and a 2030 Climate Action Plan, which sets a long-term ambition for portfolio companies to reach net-zero emissions by 2050.²⁷ That ambition is directly relevant to Canada, which is itself legally committed to net zero by 2050.²⁸ Independent research corroborates that this engagement is active rather than nominal.²⁹

This transparency is itself a practice that Canadian public funds could emulate. Publishing votes, exclusions and expectations allows beneficiaries and the wider public to judge whether a fund's stated climate priorities are matched by its conduct, and to hold it to account where they are not, which is sound governance in its own right.

19 Canada's National Observer, 'The Canada Strong Fund wants Canadians' money. It's unclear how it will protect it' (opinion, 24 June 2026).

20 Government of Canada, *enhanced 2030 emissions target of 40-45% below 2005 levels* (2021).

21 Canadian Net-Zero Emissions Accountability Act (2021).

22 Canada's National Observer, 'Carney stays the course on fossil fuels despite the climate reckoning,' March 17, 2026.

23 Norges Bank Investment Management, *Voting* (public record since 2013; pre-disclosure of voting instructions).

24 Norges Bank Investment Management, *Global voting guidelines*.

25 Norges Bank Investment Management, *Exclusion of companies*; Council on Ethics for the Government Pension Fund Global.

26 Norges Bank Investment Management, *Expectations of companies: Climate change* (2023).

27 Norges Bank Investment Management, *2030 Climate Action Plan*.

28 Canadian Net-Zero Emissions Accountability Act (2021).

29 Aguilera, R. V., Bermejo, V. J., Capape, J. and Cunat, V. (2024). The Systemic Governance Influence of Expectation Documents: Evidence from a Universal Owner. *Review of Corporate Finance Studies*.

HOW NORWAY VOTES ON CLIMATE

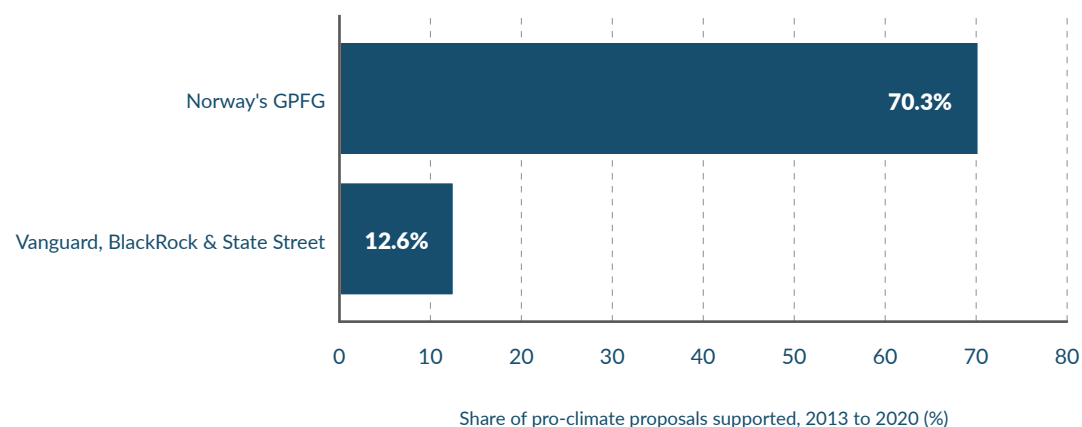
Norway's proxy-voting record is direct, observed evidence that the fund uses its ownership rights to press the companies it holds on climate: it is action, not cheap talk. The full voting record has been public since 2013 and can be downloaded through an application programming interface.³⁰ For our study, the fund's public votes were matched to Institutional Shareholder Services data and benchmarked against the votes of U.S. mutual funds and against the aggregate support of all shareholders. Within this matched record there are 373 climate-related shareholder proposals: 348 that sought to strengthen a firm's climate policy (pro-climate) and 25 that sought to weaken it (anti-climate).

The gap between Norway and other large owners is wide. As [Figure 1](#) below shows, over 2013 to 2020 Norway supported proposals to strengthen firm climate policy 70.3 per cent of the time, compared with 12.6 per cent for Vanguard, BlackRock and State Street, the three largest asset managers in the United States, and it supported none of the proposals to weaken climate policy, a rate of 0 per cent. The same pattern holds in the longer sample running to 2024: measured against all shareholders combined, Norway supported pro-climate proposals 64.0 per cent of the time, versus 26.4 per cent. The contrast points to a consistent orientation toward measures that strengthen corporate climate action.

These gaps persist after accounting for the quality of the firm and the type of proposal, including comparisons of how Norway and other owners voted on the very same proposal: Norway is about 34.8 percentage points more likely than the average U.S. mutual fund to support a pro-climate proposal, a difference that is statistically significant. Voting reveals the fund's preferences and the actions it takes as an owner. It does not by itself show whether firm management responds to Norway and changes its behaviour, which the sections that follow examine.

FIGURE 1

Support for proposals to strengthen firm climate policy



Norway's GPFG compared with Vanguard, BlackRock and State Street, the three largest asset managers in the United States, voting on the same proposals (2013 to 2020). Source: underlying study.

³⁰ Norges Bank Investment Management, [Voting](#) (public record since 2013; pre-disclosure of voting instructions).

PUBLIC EXCLUSION AND FIRM EMISSIONS

Norway's second directly observed behaviour is the public exclusion of firms from the fund, and unlike its voting record it can be linked directly to what happens at the firms concerned. The act of naming and removing a company is itself a behavioural fact rather than a statement of intent. The process is deliberate and transparent: an independent Council on Ethics reviews company conduct and recommends action, and Norges Bank decides whether to place a firm under observation or to exclude it. Once a firm is excluded, the fund divests and will not hold it, and the company is named publicly alongside a dated rationale.³¹ This is the recognised mechanism of naming and shaming, and it makes each decision an observable, on-the-record judgment.

The grounds for exclusion that this paper studies are environmental. They include severe environmental damage, unacceptable greenhouse-gas emissions, and the production of coal or coal-based energy.³² The greenhouse-gas criterion bears directly on Canada: in 2019 the fund excluded four Canadian oil-sands producers (Canadian Natural Resources, Cenovus Energy, Suncor Energy and Imperial Oil) on the grounds that their Alberta oil-sands output entailed unacceptable greenhouse-gas emissions.³³ Under the separate coal criterion, the fund excludes mining and power companies above set thresholds for thermal coal, excluding companies such as Glencore, RWE and Anglo American in 2020.³⁴ The fund also excludes firms on non-environmental grounds such as human rights, weapons, tobacco and corruption, which this paper does not study.

The exclusion list can also be matched to firm-level outcomes. Among the 48 U.S.-listed firms on the list, we find that the direct emissions of excluded firms decline after they are excluded. [Figure 2](#) shows the difference from comparable firms: it is small and not statistically significant in the four years before exclusion, becomes larger and significant in the first four years after, and persists from the fifth year onward. The pattern is associative but falls short of causal evidence and is based on a small sample. Its importance lies in reach: an excluded firm is one Norway no longer owns, so this influence extends beyond the fund's own portfolio, operating through the reputational pressure and higher cost of capital that a public exclusion can impose.

31 Norges Bank Investment Management, [Observation and exclusion of companies](#); Council on Ethics for the Government Pension Fund Global.

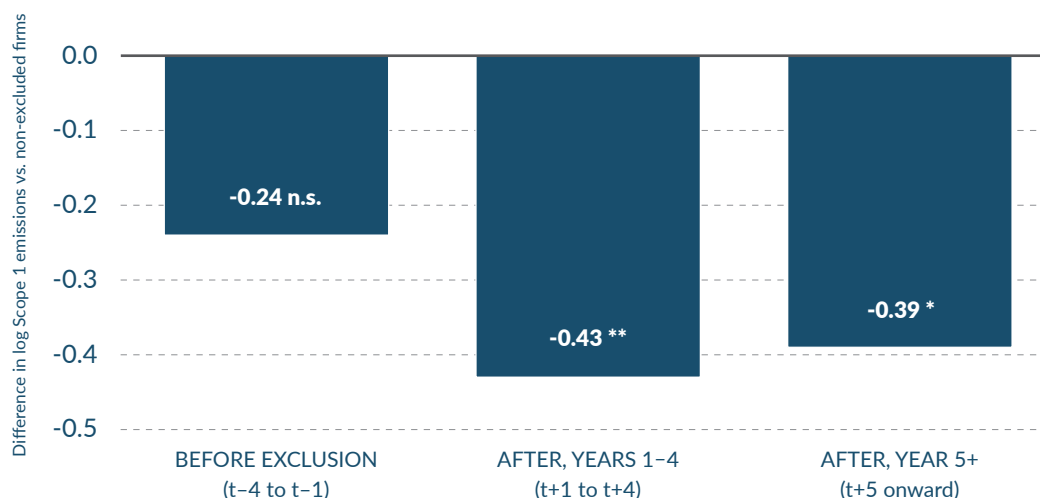
32 Norges Bank Investment Management, [Observation and exclusion of companies](#); Council on Ethics for the Government Pension Fund Global.

33 Globe and Mail, 'Norwegian fund excludes four Canadian oil-sands producers as it exits oil sands investments,' Oct. 7, 2019. The Globe and Mail.

34 Norges Bank Investment Management, [Exclusion and observation of coal companies](#) (2020).

FIGURE 2

Direct emissions of excluded firms, before and after exclusion



Difference in direct (Scope 1) emissions versus comparable firms, before exclusion and in the years after. Lower means fewer emissions. ** and * denote statistical significance; n.s. means not significant. Source: underlying study.

EMISSIONS TARGETS AT THE FIRMS NORWAY OWNS

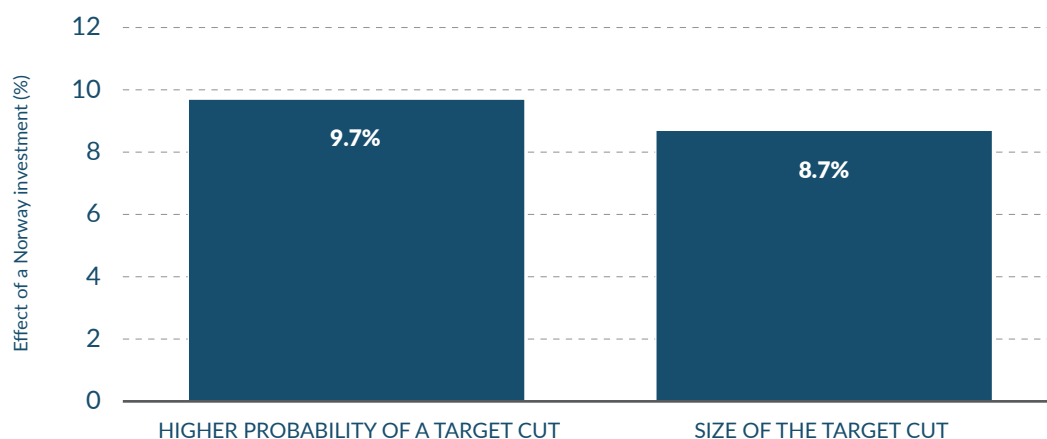
The final piece of evidence concerns the firms Norway owns. If Norway's public voting and its exclusion decisions reflect genuine engagement on climate, one would expect the firms it holds to change their behaviour after it invests. One way a firm signals such change is by setting a more ambitious emissions target. After accounting for firm characteristics, we find that compared to an investment by a non-oil funded SWF a Norway investment is associated with a firm being about 9.7 percentage points more likely to reduce its absolute emissions target. An investment by Norway is also associated with firms targeting bigger cuts to their emissions: the firm's scaled target, measured per unit of emissions, falls by about 8.7 per cent of its observed emissions. These two quantities, the greater likelihood of a target reduction and the size of that reduction, are shown in [Figure 3](#).

This pattern appears to reflect Norway's active stewardship rather than a generic effect of large ownership. SWFs that are not funded by oil revenue show no statistically meaningful change in the emissions targets of the firms they invest in. That the association is specific to Norway, whose engagement is directly observable in how it votes and which firms it excludes, points to the stewardship itself rather than the mere presence of a large shareholder.

Two cautions apply. First, this is an association consistent with Norway's influence, not proof that its ownership causes firms to set tougher targets. Second, the underlying data are limited: firm-level target information is sparse. The result should therefore be read alongside the voting and exclusion evidence, which rest on larger and more directly observed records, rather than on its own.

FIGURE 3

Emissions targets at firms Norway invests in



Effect of a Norway investment on the firms it owns: the increase in the probability that a firm reduces its emissions target, and the size of the reduction (as a share of the firm's emissions). Source: underlying study.

IMPLICATIONS FOR CANADA

Norway demonstrates that a large, long-horizon public owner can shape the climate transition risk of firms both inside and outside its portfolio. Our study finds that through its engagement, the Government Pension Fund Global supports pro-climate shareholder proposals far more often than other large investors, and the firms it owns are subsequently associated with more ambitious emissions targets. Through public exclusion, it names and shames firms on stated environmental grounds, and those firms which it no longer owns are associated with lower emissions afterwards. The voting record and the exclusion decisions are directly observed behaviours, while the changes in firms' targets and emissions are associations consistent with influence. What makes both work is transparency: because the Fund discloses how it votes and why it excludes firms, its stakeholders can hold it to account, which is also a transferable lesson.

For the Canada Strong Fund, the implication is direct. Canada's economy is itself heavily exposed to transition risk: its resource and energy sector, including the Alberta oil sands that Norway has already excluded on climate grounds, sits at the centre of the shift to a low-carbon economy. Because the Fund will own transition-exposed domestic firms and can help finance major energy projects,³⁵ its effect on their transition risk, and through them on the transition risk carried by the Canadian economy as a whole, will turn on how it engages those firms and what it discloses.

35 Department of Finance Canada, [Canada Strong Fund](#).

Two structural differences between the funds also warrant attention. The GPFG invests only outside Norway, which distances its stewardship from domestic corporate and political interests; a domestically focused fund may face greater pressure to side with the management of the firms it owns. Scale matters as well: the GPFG holds on average about 1.5 per cent of the world's listed companies, while the CSF's initial \$25 billion is modest by comparison, so its voice alone may carry less weight with large issuers unless it invests in smaller firms or acts alongside like-minded investors.³⁶ Norway's practices offer a concrete model: a public voting record, a published exclusion framework with rationales, and documents setting out its expectations of companies.³⁷ That model is all the more salient because critics have noted that the major projects being advanced lack a published climate-risk evaluation.³⁸

Canada's large pension funds, and provincial funds beyond the eight most often cited, already engage portfolio companies and have the scale and horizon to influence transition risk, but they diverge in ambition. In important respects, these pension funds are closer analogues to the GPFG than the new sovereign wealth fund is: together they manage roughly \$2 trillion, and more than three quarters of their assets are invested outside Canada, giving them both the scale and the distance from domestic interests that help lend stewardship its force.³⁹ In recent years some have stepped back from their 2050 net-zero targets, while others have reaffirmed and expanded their commitments, setting large climate-investment goals and linking executive compensation to climate targets.⁴⁰ While some have raised concerns about greenwashing litigation risk under changes to Canada's *Competition Act* (C-59, revised by C-15)⁴¹, the transparent, evidence-based stewardship that Norway practises is what remains defensible. As fellow resource-rich economies committed to net zero by 2050, Norway and Canada are well matched, and Canada's public funds are well placed to adopt Norway's transparent stewardship as their model.

36 Norges Bank Investment Management, *About the fund*.

37 Norges Bank Investment Management, *Expectations of companies: Climate change (2023)*.

38 Canada's National Observer, 'The Canada Strong Fund wants Canadians' money. It's unclear how it will protect it' (Opinion, June 24, 2026).

39 Policy Options, 'Why Canada's pension giants should invest more at home' (December 2025): Canada's eight largest public pension funds manage roughly \$2 trillion, with more than 75 cents of every dollar invested outside Canada.

40 Canada's National Observer, 'Canada's largest pension fund retreats from climate but other funds show leadership,' Jan. 28, 2026.

41 Competition Bureau Canada, *Environmental claims and greenwashing*.