

Policy on Sustainable Investing

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1.0 Our Objectives

The Canada Pension Plan Investment Board (CPP Investments) is a professional investment management organization. Its long-term goal is to contribute to the financial strength of the Canada Pension Plan (CPP) and help sustain the pensions of CPP participants. The organization invests with a view to achieving a maximum rate of return, without undue risk of loss, taking into account factors that may affect the ability of the CPP to meet its financial obligations. Our Policy on Sustainable Investing is consistent with the fulfilment of our clear legislative objectives.

CPP Investments operates at arm's length from federal and provincial governments with the oversight of an independent, highly qualified professional [Board of Directors](#). CPP Investments' management reports not to governments, but to the CPP Investments' Board of Directors. CPP Investments' Board approves investment policies, determines with management the organization's strategic direction and makes critical operational decisions. CPP Investments is accountable to Parliament and to the federal and provincial finance ministers who serve as the joint stewards of the CPP.

This Policy has been approved by the Board of Directors of CPP Investments.

2.0 Our Principles

Over our long investment-horizon, environmental, social and governance (ESG) factors, including climate change, have the potential to be significant drivers of risks or opportunities to profitability and shareholder value as the macroeconomic themes shaping our global economy continue to evolve and create a more competitive corporate environment. Increased competition requires management of investee companies to more rigorously engage in reconciling short- versus long-term risks and opportunities.

CPP Investments is a long-term investor and an active and engaged owner, and is recognized internationally as a leading example of sound investment management. We believe that organizations that are resilient, agile and able to anticipate, manage and integrate material ESG factors into their strategy are more likely to create and preserve value over the long term than those that do not. In our view, shareholder value is inextricably linked to the proactive integration of material ESG factors into company culture and strategy.

The principles underlying our approach to sustainable investing include, but are not limited to, the following:

- Given our legislative objectives, we consider and integrate both ESG risks and opportunities into our investment analysis, rather than eliminating investments based on ESG factors alone;

- As an active owner, we monitor ESG factors and engage with companies to promote improved management of ESG issues;
- We expect disclosure of financially relevant, potentially material ESG factors to allow investors to better understand, evaluate and assess potential risk and opportunities, including the potential impact of ESG factors on a company’s performance. We support alignment of reporting with the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD);
- We support the division of authority and responsibilities among the triad of interests that is the core of good corporate governance – shareholders, directors and managers; and
- Employees, customers, suppliers, governments and the community at large have a vested interest in forward-thinking corporate conduct and long-term business performance; improved management of ESG factors ultimately leads to enhanced long-term outcomes in the companies and assets in which we invest.

This Policy sets out how CPP Investments approaches sustainable investing within the context of our clear legislative obligations. We strive to be both principled and pragmatic, taking into account industry norms, corporate performance, competitive issues, regulatory requirements and other factors necessary to put specific issues into context.

3.0 ESG Integration Within Our Investment Strategy

We integrate ESG factors into our investment analysis and asset management activities because we believe it supports generating better returns across our portfolio. Where such considerations are material, they can affect our assessment of an investment’s risk profile and value. The end result of effective integration is a more holistic approach to traditional due diligence in the investing process. As such, CPP Investments aspires to integrate ESG factors for all asset classes within the portfolio.

The Sustainable Investing group works across the organization to support investment analyses on the impact of ESG factors, and conducts research on industry standards and best practices.

For any publicly traded holdings, the Sustainable Investing group also supports our role as an active, engaged owner by carrying out all proxy voting activities.

4.0 Engagement

We conduct ourselves as active, principled and thoughtful owners managing our investments in the best interests of our contributors and beneficiaries. We expect integration of ESG factors, including climate change, by investee companies and communicate and action this through engagement. We believe that engagement with companies, either directly or in collaboration

with like-minded investors, is an effective means through which shareholders can influence productive change, reduce investment risks, realize opportunities and enhance and sustain long-term competitiveness and financial performance.

We determine where to engage either proactively on our own initiative, or reactively in response to a company's request by:

- Analyzing ESG risks and opportunities in our portfolio companies using internal and third-party research.
- Identifying engagement objectives considering materiality, time horizon, resource implications and likelihood of success.
- Selecting the best method of engagement: direct, collaborative and/or proxy voting.

We expect successful engagement to result in enhanced disclosure and practices,¹ lower risk profile and/or improved investment returns supporting CPP Investments' ability to make investment decisions fully aligned with its legislative objectives.

4.1 COLLABORATIVE ENGAGEMENT AND INDUSTRY DIALOGUE

Engaging collaboratively with other like-minded institutional investors leverages internal resources and may be the most efficient mechanism for all involved parties. It is an effective way to encourage improved transparency and performance on material ESG factors across CPP Investments' portfolio.

CPP Investments also participates in broader domestic and international discussions about definitions, priorities, standards and best practices in sustainable investing.

Please refer to our [Report on Sustainable Investing](#) for examples of collaborative engagement initiatives we may participate in or reference in our work, as well as for a list of industry organizations in which CPP Investments participates.

4.2 EXERCISING PROXY VOTES

We believe that appropriate corporate governance practices enhance long-term shareholder value. Proxy voting is one component of the corporate governance process and an effective form of engagement, enabling shareholders to express their views on a variety of issues. Our [Proxy Voting Principles and Guidelines](#) are reviewed and approved annually by our Board of Directors

¹ Boards should 1) ensure that company reporting reflects all material ESG risks and opportunities and 2) provide shareholders with quantitative sustainability information on a regular basis. We encourage companies to report in line with the industry specific [Sustainability Accounting Standards Board \(SASB\)](#) metrics and to implement the recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#).

and set out how CPP Investments is likely to vote on a range of topics. We also provide timely disclosure of our [voting decisions](#).

We generally support proposals that are likely to enhance long-term company performance, reduce risk to long-term company performance or improve disclosure, including climate change-related, reasonably necessary to enable shareholders to assess their investment risk and opportunity. We oppose resolutions that are likely to diminish long-term shareholder value even though they may produce short-term gains.

5.0 Exclusions and Exit

As a long-term investor, we prefer to actively engage with and attempt to influence companies when we disagree with a position taken by management or a board of directors of our active holdings. We have the ability to be a patient provider of capital and to work with companies to bring about change. However, we may conclude not to pursue or maintain investments in companies for reasons including the following:

- We conclude that management’s strategy or lack of engagement with ESG issues undermines the long-term sustainability of the business;
- Where brand and reputation considerations from ESG factors may generate risk impacts beyond expected risk-adjusted returns; and
- Legal considerations.

These are not applied to our exposure to companies through broad-based indices. Such exposures are indirect, resulting from CPP Investments’ use of market traded index future contracts. No actual securities are held by the organization in those companies. Further, composition of these indices is beyond the control of CPP Investments. Our exposures do not assist or effect the capital formation of these companies.

6.0 Reporting

CPP Investments is committed to public transparency of our sustainable investing activities. We produce an annual [Report on Sustainable Investing](#) which provides a detailed review of our activities. The Sustainable Investing section of our [website](#) provides additional information on our work.