CPP INVESTMENT BOARD

2017 REPORT ON SUSTAINABLE INVESTING

INVESTING FOR CPP CONTRIBUTORS AND BENEFICIARIES

CANADA 150

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Caption: In 2007, CPPIB invested US$884 million in Puget Sound Energy. It owns and operates three large wind farms which produce up to 773 megawatts of electricity, enough to meet the power demands of nearly 200,000 homes, making it the second-largest utility generator of wind power in the U.S.

ABOUT CPPIB

Canada Pension Plan Investment Board (CPPIB) is a professional investment management organization with a critical purpose – to help provide a foundation on which 20 million Canadians build financial security for retirement. We invest the assets of the Canada Pension Plan (CPP) not currently needed to pay pension, disability and survivor benefits. We adhere to the principles of integrity, partnership and high performance.

CPPIB's arm's length structure is globally recognized as a best practice for national pension plans. Five key attributes help differentiate us:

Governance

Oversight of CPPIB is provided by a professional Board of Directors that operates independently of government.

Investment-Only Mandate

We have a legislated investment-only mandate to maximize returns without undue risk of loss. CPPIB's decisions are not influenced by government direction; regional, social or economic development considerations; or any non-investment objectives.

Transparency

CPPIB discloses quarterly and annual financial statements. We hold biennial public meetings in each province that participates in the Canada Pension Plan, during which Canadians and stakeholder groups can ask questions of our senior leadership.

Segregated Assets

The assets we manage in the best interests of the 20 million CPP Fund contributors and beneficiaries are strictly segregated from government funds.

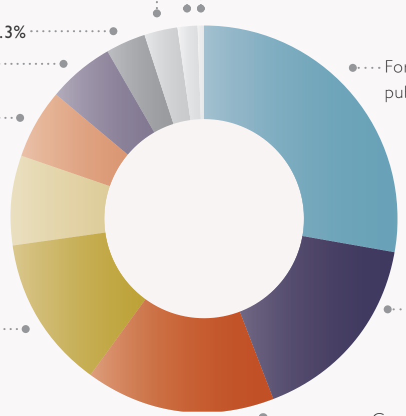
Professional Management

We are a professional investment management organization and seek to recruit top investment professionals globally. Our management team does not report to government, but to an independent Board of highly qualified directors.

CPPIB PORTFOLIO AND PERFORMANCE

ASSET MIX

As at March 31, 2017



1. Net of external debt issuances.

11.8%
Fiscal 2017 Rate of Return (net nominal)

6.7%
10-Year Annualized Rate of Return (net nominal)

11.8%
Five-Year Annualized Rate of Return (net nominal)

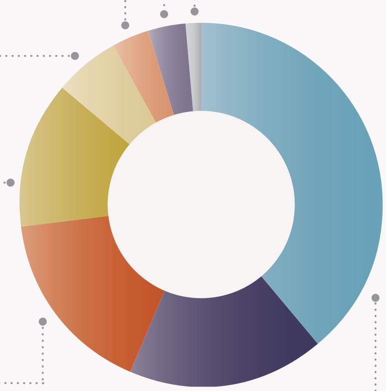
$33.5 Billion
Fiscal 2017 Net Income After All CPPIB Costs

$316.7 Billion
CPP Fund Value at March 31, 2017

$146.1 Billion
Cumulative Net Income for 10-Year Period After All CPPIB Costs

GLOBAL DIVERSIFICATION BY REGION

As at March 31, 2017



PRESIDENT'S MESSAGE

This year marks a decade since CPPIB released its first annual Report on Sustainable Investing, detailing how we incorporate environmental, social and governance (ESG) factors into our investment process. Once viewed as a niche consideration by some investors, this approach is now common practice in our industry, with good reason.

CPPIB has a clear mandate – maximizing returns without undue risk of loss in the best interests of CPP contributors and beneficiaries. All our actions are viewed through this lens; it is our commitment to generations of Canadians who will rely upon CPP when they retire.

The fact is, sustainable investing is the right approach for an organization that aims to deliver strong returns over decades. Given CPPIB's exceptionally long investment horizon, ESG factors can be significant drivers – or barriers – to the success of the enterprises in which we invest.

Since publication of our first sustainable investing report, the CPP Fund has grown from over $122 billion to more than $316 billion (as at March 31, 2017). During that same period, the percentage of assets invested outside of Canada has risen from 47% to 83.5%. This increased size and international exposure has given us a broader perspective on global issues such as climate change, water, human rights and executive compensation.

Wherever we invest in the world, we believe our management of CPP Fund assets must go beyond simply buying and selling. We are an engaged investor, working closely with companies to improve their performance on issues ranging from how they pay their executives to what they disclose to investors about how they are addressing climate change. In the following pages, you will read about the work we are doing in Canada and around the world.

Climate Change

In last year's report, I wrote about the historic Paris Agreement on climate change. When the United States announced its intention to withdraw from the agreement earlier this year, it is notable this did not cause a ripple effect. The climate accord is still backed by a majority of countries around the world. Many American cities and states also reiterated their commitments to the goals set out in Paris.

As a long-term investor, we must consider which climate change policies global governments are likely to implement over decades. The need to anticipate these regulatory changes is something no major investor can ignore.

I view climate change as one of the most significant physical, social, technological and economic challenges of our time. It is encouraging to see the momentum around addressing climate change both internally at CPPIB and externally. We have been engaging with companies for more than a decade to encourage better consideration of, and transparency around, how climate change factors will be managed. We are pleased to see more and more companies and investors coming on board to address these matters. As described on page 18, we supported more than 30 shareholder resolutions related to climate change during this reporting period. This year marked an unprecedented level of shareholder support for action, especially in the oil & gas and utilities sectors.

We focus not only on the risks posed by a warming planet but also on the business opportunities it creates in the form of new and alternative technologies, products and services (see pages 15-18). The projected scale of the investment needed to shift to a lower-carbon economy means many ventures will require the backing of strong, knowledgeable and long-term partners. This makes us a natural fit.

Stephanie Leaist, CPPIB's Head of Sustainable Investing, is a member of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("Task Force") (see page 49). Through her involvement, CPPIB contributed to a groundbreaking framework for companies to disclose information on the risks and opportunities presented by climate change. In June, the Task Force released its final recommendations. Mark Carney, Chair of the FSB and Governor of the Bank of England, then presented them to the leaders of the G20 in July 2017. This voluntary disclosure framework, structured around governance, strategy, risk management, and metrics and targets, is intended to help investors, lenders and insurers make more informed decisions. I was pleased to join leaders from more than 100 global organizations in signing a statement of support endorsing the recommendations and urging their adoption.

Internally, CPPIB's cross-departmental Climate Change Working Group is developing analysis, processes and methodologies so that CPPIB can more systematically consider the impact of climate change-related risks and opportunities on our portfolio, as well as on our individual holdings. We believe developing the skills, knowledge and capabilities of our investment teams in this area will yield value for CPP contributors and beneficiaries, both now and in the future.

Gender Diversity

At CPPIB, we place a high priority on building workforce diversity because it leads to better business outcomes and superior decision-making.

There is a clear need to promote gender diversity in Canadian and global companies. CPPIB's Chair, Heather Munroe-Blum, and I belong to the 30% Club, the goal of which is to improve gender balance on corporate boards and at the executive management level. We believe teams perform better when they have a critical mass of women, and we are highly cognizant that female representation is too often lagging.

This year, we used our proxy voting rights to address gender diversity on boards in Canada. For our Canadian public holdings, we now vote against the election of the chair of the nominating committee if a board has no female directors; provided there are no extenuating circumstances warranting an exception (see page 25).

Conclusion

This report highlights our organization's efforts to assess and engage with others around opportunities and risks from ESG factors. We are encouraged by the growing interest from and collaboration among individuals, organizations, businesses and investors working to ensure sustainability factors are part of business and investment decision-making. We are seeing this spirit of collaboration in research and knowledge sharing, industry workshops, and engagement alongside other investors, as well as high-profile global initiatives like the Task Force and 30% Club.

CPPIB will continue to push for progress on ESG issues. We will also evolve how we orient our portfolio in the context of climate-related risks, opportunities and company disclosure.

I am confident the coming decade will see an even greater increase in awareness and understanding of how sustainable investing is simply the correct choice for organizations that aim to create long-term value.

Mark Machin
President & Chief Executive Officer

SUSTAINABLE INVESTING: 10 YEARS IN REVIEW

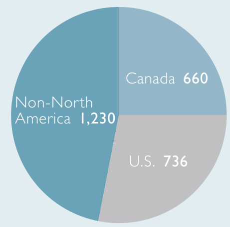
2008

Collaboration Partners

Focus areas: Climate change, executive compensation, and extractive industries.

CPPIB releases first Responsible Investing Report.

Proxy voting statistics for 2008



Proxy votes by region

16,039 agenda items

2009

CPPIB expands engagement activity into emerging markets.

2010

Considering the importance of water to local environments and communities, CPPIB adds water as a focus area and joins the Water Disclosure initiative of the Carbon Disclosure Project (now the CDP) as an inaugural member.

2011

Responsible Investing Committee is formed to help integrate ESG considerations across CPPIB.

2012

CPPIB appoints Head of Responsible Investing to help expand ESG activities.

2013

CPPIB's 2013 Responsible Investing Report wins Best RI Report by a large Fund in the 2014 Responsible Investor Reporting Awards.

2014

Responsible Investing activities renamed Sustainable Investing, reflecting CPPIB's view that ESG factors are fundamental to enhance long-term sustainable returns.

2015

Alongside BlackRock and McKinsey & Company, CPPIB convenes the Long-Term Value Summit in New York City. The summit brings together more than 120 investment and corporate leaders from 18 countries to tackle the problem of short-termism and identify ways to focus on long-term value creation.

2016

CPPIB's Climate Change Working Group created to help integrate climate change factors into investment decision-making.

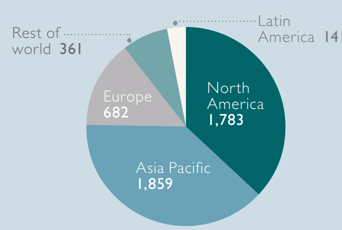
Human rights added as a focus area.

2017

Collaboration Partners

The Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures, of which CPPIB's Head of Sustainable Investing is a member, releases recommendations to improve disclosure of climate-related risks at the G20 Summit in Hamburg, Germany.

Proxy voting statistics for 2017



Proxy votes by region

51,983 agenda items

CPPIB AND SUSTAINABLE INVESTING

Our mandate and the consideration of Environmental, Social and Governance factors

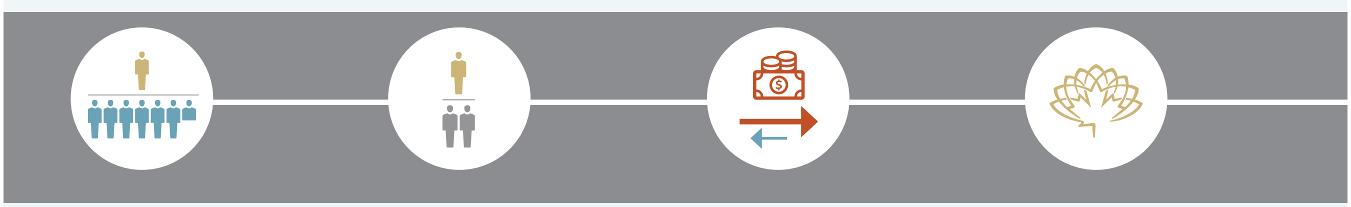
The Chief Actuary of Canada projected in 1995 that the CPP would be exhausted in 2015 without major changes. In response, Canada's provincial and federal governments decided in 1997 that the CPP's assets should be professionally and independently managed. They legislated a single objective for CPPIB: to seek a maximum rate of return without undue risk of loss. In doing so, we are explicitly required to act in the best interests of contributors and beneficiaries and to take into account the factors that affect the financial obligations of the CPP. These parameters provide a clear framework for every decision we make.

This mandate is undertaken without regard to political, regional, social or economic development considerations, or any other non-investment objectives. The clarity of our mandate supports the important investment challenge we face to achieve sufficient growth to help sustain the CPP Fund. We believe that organizations that manage environmental, social and governance (ESG) factors effectively are more likely to endure and create sustainable value over the long term.

As a long-term investor, ESG factors are of great importance to us. While the specific factors vary by company, industry and geography, we consider relevant ESG matters when evaluating opportunities, making investment decisions, managing our investments and engaging with companies to seek improvements in business practices and disclosure.

Why CPPIB was created

In the mid-1990s, concerns arose about the long-term viability of the CPP. CPP assets had started to be depleted in 1993. In response, Canada's provincial and federal governments came together to create bold reforms to ensure the CPP would be there for generations to come. They increased the contribution rates and created Canada Pension Plan Investment Board to invest funds not currently needed to pay CPP benefits.



1966

CPP created.
6.5 workers for every retiree.

1990s

Projections show by 2055 there will be only 2 workers per retiree.

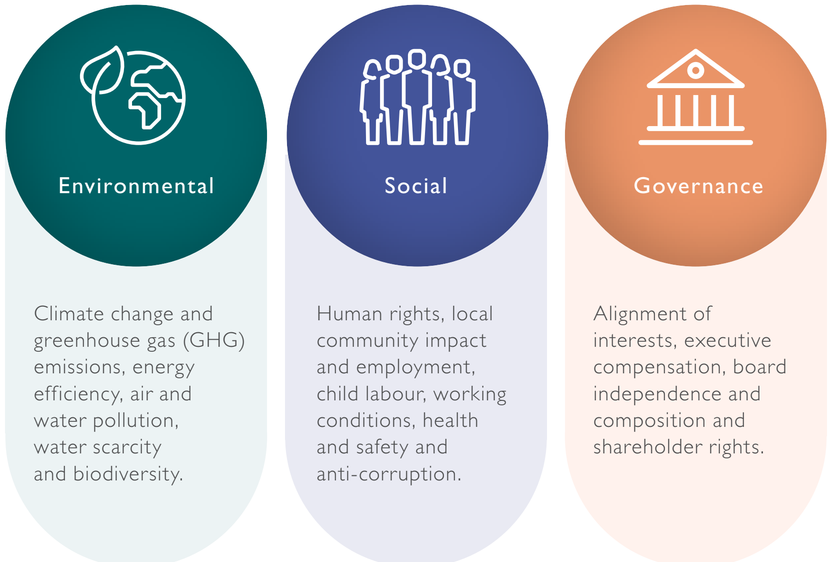
1993

CPP benefits paid out started to be higher than contributions and investment income coming in.

1997

Canadian governments act to address demographic changes and create CPPIB.

WHAT WE MEAN BY ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS:



CPPIB's Approach to Sustainable Investing for Long-Term Value

CPPIB prudently dedicates resources to sustainable investing, balancing ESG considerations with our obligation to maximize value to CPP contributors and beneficiaries. All of CPPIB's ESG activities revolve around three key areas: engagement, integration and collaboration. When approaching an ESG issue, we consider taking one or more of these actions to generate positive change that will help create more value in our portfolio companies. This report details our approach and activities from July 1, 2016 to June 30, 2017.

CPPIB's Sustainable Investing group supports the integration of ESG considerations in our investment decisions and monitoring processes, actively engages with companies in which we are invested and exercises our proxy voting rights. The group conducts in-depth research on companies, industries and assets in which ESG factors are material to the value of our investments. The group reviews industry standards and best practices, and collaborates with other investors and organizations globally.

CPPIB has established governing policies, approved by our Board of Directors, to guide our ESG activities. Our *Policy on Responsible Investing* (www.cppib.com/ResponsibleInvestingPolicy) establishes how CPPIB approaches ESG factors within the context of our sole mandate to maximize long-term investment returns without undue risk of loss. Our *Proxy Voting Principles and Guidelines* (www.cppib.com/PVPG) provide guidance on how CPPIB is likely to vote on matters put to shareholders and communicate CPPIB's views on governance matters. To effectively oversee our ESG activities, we have a Sustainable Investing Committee with members from different teams across the organization. (See page 9 for more details on our integrated Sustainable Investing Framework).

How do ESG factors affect long-term value creation?

The impact of ESG factors on long-term value creation can emerge gradually, or through a crisis that may be the result of years of mismanagement. These factors can have clear and direct impacts on a company's profitability, for example, through greater regulation leading to higher operating costs. They can also have adverse consequences on a company's long-term performance by influencing customer loyalty, brand equity, ability to attract talent and a company's 'license to operate'.

Sustainable Investing Activities

At CPPIB, we believe in stewardship, which supports our fiduciary responsibility to invest in the best interests of the 20 million CPP Fund contributors and beneficiaries. When considering ESG factors and their impacts on our investments, we focus on three action areas, namely engagement, integration and collaboration.

We seek both breadth and depth in our engagement with companies and key stakeholders by having informed dialogue about environmental, social or governance disclosure and practices, monitoring corporate activities and exercising our ownership rights.

Our Sustainable Investing group works directly with our investment departments to ensure risks and opportunities stemming from potentially material ESG factors are incorporated into investment decision-making processes and asset management activities throughout the organization.

We collaborate with like-minded organizations to engage with companies, encourage better environmental, social and governance-related practices and advocate for long-term policies and actions to reduce risks and promote value-building growth.

This report covers the period of July 1, 2016 to June 30, 2017

Why does CPPIB not divest?

CPPIB believes that we can more effectively press for positive change by being an active, engaged investor than we can by sitting on the sidelines. Our responsibility is to maximize investment returns without undue risk of loss; eliminating entire categories of potential investments would not be consistent with that mandate. Instead, CPPIB treats ESG factors as an integral part of our investment activity. The aim is win-win: more responsible corporate behaviour from investees and higher investment returns for 20 million contributors and beneficiaries.

CPPIB'S INTEGRATED SUSTAINABLE INVESTING FRAMEWORK

Board of Directors
- Approves overall risk framework, including integration of ESG factors
- Approves *Policy on Responsible Investing* and *Proxy Voting Principles and Guidelines*
- Receives updates on sustainable investing activities

Sustainable Investing Committee
- Comprised of senior representatives from investment departments, Sustainable Investing, Legal and Public Affairs and Communications
- Oversees, receives and approves briefings on sustainable investing matters, including policies, guidelines and strategies
- Chair updates CEO on key issues

CEO
- Sets tone and overall risk culture
- Promotes active ownership approach and our stewardship activities
- Engages with stakeholders on ESG issues

Sustainable Investing Group
- Comprised of professionals with expertise in ESG matters
- Works across the entire organization to help incorporate ESG into decision-making
- Supports CPPIB's role as an active and engaged owner

Investment Departments
- Required to integrate relevant ESG considerations into investment decision-making and asset management
- Provide input to better inform proxy voting decisions and engagement with companies

Climate Change Working Group
- Comprised of representatives from Sustainable Investing, investment departments, Investment Risk, Total Portfolio Management and Public Affairs and Communications
- Considers ways to better assess climate change risk in our investment and asset management activities
- Recommends actions to address both investment risks and opportunities resulting from climate change

ENGAGEMENT

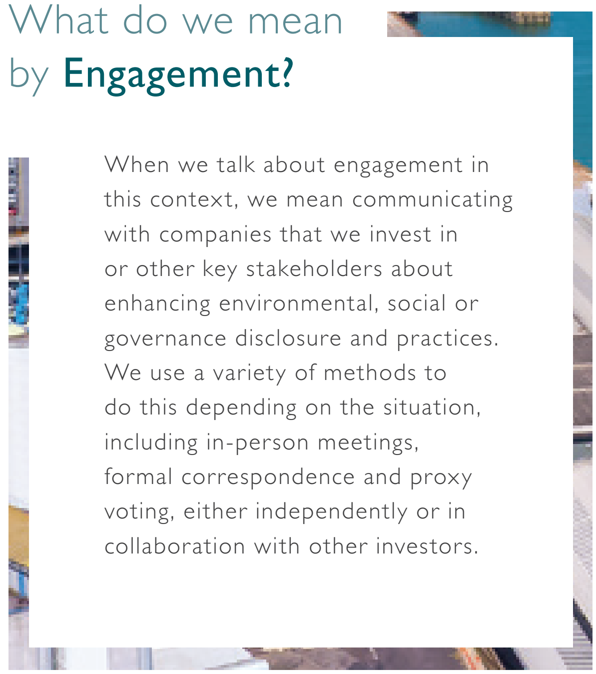
OUR APPROACH:

Actively Engaging as Owners

ENGAGEMENT

As the trusted manager of the retirement income for 20 million individuals, we have an obligation to protect and enhance the value of the CPP Fund. CPPIB believes that our stewardship of the CPP Fund must go beyond simply buying and selling assets. We have a responsibility to conduct ourselves as principled, constructive and engaged owners. Proactive and constructive dialogue with senior executives, board members, regulators, industry associations and other stakeholders can significantly reduce investment risks and contribute to enhanced and sustained returns over time.

CPPIB devotes considerable resources to engaging with corporations both directly and collaboratively with other investors. Collaborative engagement provides us with the opportunity to substantially increase the influence, resources and expertise we can bring as part of a group of investors in seeking to positively influence corporate behaviour. Whether we engage with a company on our own or collaboratively, we typically do not disclose the company's name publicly or to third parties, as it has been shown that this negatively impacts the dialogue and ultimate outcome.



Caption: CPPIB has invested £1.62 billion in Associated British Ports (ABP). ABP is Britain's leading port operator, with 21 ports in England, Scotland and Wales. Its ports include Immingham, the UK's busiest port, and Southampton, the nation's second largest and most efficient container port, as well as the UK's number one for cars and cruise. CPPIB regularly engages with portfolio companies on their ESG practices.

What do we mean by **Engagement?**

When we talk about engagement in this context, we mean communicating with companies that we invest in or other key stakeholders about enhancing environmental, social or governance disclosure and practices. We use a variety of methods to do this depending on the situation, including in-person meetings, formal correspondence and proxy voting, either independently or in collaboration with other investors.

DETERMINING WHEN TO ENGAGE:

Analyze

Analyze ESG risks in our portfolio companies using internal and third-party research.

Identify

Identify engagement objectives considering materiality, time horizon, resource implications and likelihood of success.

Optimize

Select the best method of engagement: direct, collaborative and/or proxy voting.

Engage

Engage with companies to seek improved practices and enhanced disclosure.

ENGAGEMENT: FROM INITIATION TO PARTNERSHIP

Contact

Initiate contact with company, either individually or collaboratively, to discuss its ESG disclosure and practices.

Dialogue

Discuss with subject matter experts, senior management and/or the board the relevant issues we have identified.

Commitment

Gain corporate commitments to enhanced disclosure and practices, monitor their progress and follow up to encourage continued improvement. If our concerns are not sufficiently addressed, consider escalating the engagement which may include one or all of the following activities: exercising our proxy voting rights to express our dissatisfaction, collaborating with other investors, submitting a shareholder proposal or making our concerns public.

Partner

Act as a long-term constructive partner to help companies continue to meaningfully address ESG factors, ultimately leading to enhanced financial performance over the long term.

HERMES EOS

CPPIB is part of Hermes Equity Ownership Services (Hermes EOS), a global collaborative engagement platform that offers an effective means to expand our environmental, social and governance engagement activities across a large number of our international public equity portfolio companies and a large number of topics. Hermes EOS currently engages with over 225 companies globally on behalf of CPPIB. CPPIB's Head of Sustainable Investing is a member of the Hermes EOS Advisory Board. The Advisory Board is a Hermes EOS user-group that provides guidance to Hermes EOS management on its coverage of themes, asset classes and networks and the scope and quality of Hermes EOS's services to clients.

EXERCISING OUR RIGHTS AS OWNERS IN PUBLIC MARKETS

One of the most effective ways to engage with public companies is by voting our proxies at annual and special meetings of shareholders. CPPIB is an engaged owner of public securities and we use our best efforts to exercise our ownership rights in all cases. Proxy voting is one way we meet our stewardship responsibility to be an active owner and effectively convey our views to boards of directors and management. CPPIB makes all of our proxy voting decisions independently. We engage a service provider (Institutional Shareholder Services Inc.) to make initial, customized recommendations based on our voting guidelines. Our in-house Sustainable Investing group considers these recommendations, conducts research, consults with our investment teams and engages with companies and stakeholders, if necessary, to arrive at CPPIB's own voting decision. As appropriate, we supplement our voting activities with high-touch, concentrated engagement activities with our investee companies and key stakeholders.

As an active owner we believe it is important to be transparent in our voting activities. CPPIB implements the leading practice of posting our individual proxy vote decisions in advance of meetings, to ensure full prior disclosure of our voting intentions both to the companies concerned and to other interested parties. Our website provides a searchable database, by company name, of our votes at each shareholder meeting at www.cppib.com/ProxyVoting.

CPPIB conducts an annual review of our *Proxy Voting Principles and Guidelines* to ensure they reflect evolving global governance best practices. This process involves input from our Sustainable Investing group, our Sustainable Investing Committee and external advisors. Revisions to the Guidelines are reviewed and approved annually by CPPIB's Board of Directors. As a result of this year's review, our Guidelines have been updated to reflect our view that a controlling shareholder should be permitted to have representation on the board proportional to its economic interests and to clarify that our expectation to have a majority independent board relates to non-controlled companies.

CPPIB'S ENGAGEMENT FOCUS AREAS

The following topics (on page 14) are our key engagement focus areas. These have been chosen because they have a significant and meaningful impact on the long-term financial sustainability of our public equity portfolio. Because the topics that we engage on are often interconnected, engagements may cover more than one focus area. While we focus our engagement efforts on these four areas, we also discuss other topics that we consider relevant, such as board composition.

What type of proposals do we support in our proxy votes?

CPPIB's published *Proxy Voting Principles and Guidelines* provide guidance on how we are likely to vote on a range of issues put to shareholders (see www.cppib.com/PVPG). In general, we support resolutions that empower boards of directors to act in the best interests of the corporation, that enhance management accountability and that support shareholder democracy. We also generally support resolutions that request enhanced practices, policies and/or disclosure of information related to environmental and social matters. For example, since 2004, CPPIB has supported over 50 shareholder proposals at tobacco companies requesting improved disclosure and standards on a range of ESG factors, including health impacts and human rights-related matters.

Climate Change

Climate change can present material financial risks and opportunities for companies and impact long-term investment values.

pages 15-18

Water

Effective management of water supply, use and quality is fundamental to the long-term sustainability and operations of many companies.

pages 19-20

Human Rights

Human rights are relevant from an investment perspective because human rights are key to building long-term sustainable value, and when not appropriately managed can lead to operational disruptions and reputational issues.

pages 21-22

Executive Compensation

In order for the interests of management and long-term investors to be aligned, clear and appropriate links between pay and performance must be in place.

pages 23-24

2017 REPORT ON ACTIVITIES

Climate Change

Why We Engage:

Climate change can present material financial risks and opportunities for companies and impact long-term investment values. Uncertainty regarding transition risks (e.g., regulatory, market, consumer and technology), physical risks and the resulting company-specific impacts from these risks make climate change a complex yet vital area for investors to consider over the long term.

What We Seek:

- Enhanced practices related to governance, strategy, risk management, performance metrics and targets and opportunities.
- Improved disclosure on the potential exposure to near-term and long-term climate change-related risks, and subsequent impact on company strategy and profitability.

Climate change is one of the most significant physical, social, technological and economic challenges of our time. Its impacts are expected to be pervasive and dynamic. Scientists believe that it is critical to limit global warming to less than two degrees Celsius (2°C) above pre-industrial levels to prevent irreversible damage. The changing planet creates physical and transition risks, such as water scarcity, threats to biodiversity, extreme weather and policy and market risks, as well as investment opportunities in areas such as technological innovation and renewable energy (see table on page 16 for details on the different types of climate change-related risks and opportunities) that may manifest in the near, medium or long term.

The past years have been a watershed period for investors and climate change. Climate change has moved from being viewed as a niche ESG matter to one that is increasingly considered in the mainstream because the financial materiality of climate change is becoming increasingly recognized by investors. Not only does climate change present a complex array of immediate and emerging investment risks, it also presents attractive investment opportunities. The projected scale of the investment needed to shift to a lower-carbon economy means many ventures will require the backing of strong, knowledgeable and long-term partners.

At CPPIB, we believe that it is our responsibility to dedicate resources toward understanding climate change-related risks and opportunities across our portfolio. This has been a particularly pivotal year for us in terms of climate change-focused efforts both externally and internally, as evidenced by our participation on the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (see page 49 for more information) and the work of our cross-departmental Climate Change Working Group. This group is developing analysis, processes and methodologies so that CPPIB can more systematically consider the impact of climate change-related risks and opportunities on our portfolio, as well as individual holdings (see page 32 for more on the Climate Change Working Group). We take a comprehensive approach that integrates climate change considerations into our risk framework and across relevant investment activities to build long-term investment value.

CPPIB's commitment to stewardship means that we have a responsibility to press for improvement at companies that we invest in, including how they are addressing climate change. We believe that doing so will ultimately add value to our investments.

What types of climate change-related risks and opportunities should investors consider?

As the table below highlights, there are numerous risks and opportunities associated with climate change. Climate change-related risks can be broadly classified into two categories: transition risks – regulatory, technological, market-based or reputational risks that could result from the move towards a lower-carbon economy; and physical risks – i.e., direct event-driven (acute) or longer-term (chronic) risks associated with climate change. Climate change-related opportunities can be classified according to resource efficiency, energy source, products and services, markets and resilience.

CLIMATE CHANGE-RELATED RISKS AND OPPORTUNITIES

TYPE	CLIMATE CHANGE-RELATED RISKS
Transition Risks	**Policy and Legal** • Increased pricing of GHG emissions • Enhanced emissions-reporting obligations • Mandates on and regulation of existing products and services • Exposure to litigation
Transition Risks	**Technology** • Substitution of existing products and services with lower emissions options • Unsuccessful investment in new technologies • Costs to transition to lower emissions technology
Transition Risks	**Market** • Changing customer behaviour • Uncertainty in market signals • Increased cost of raw materials
Transition Risks	**Reputation** • Shifts in consumer preferences • Stigmatization of sector • Increased stakeholder concern or negative stakeholder feedback
Physical Risks	**Acute** • Increased severity of extreme weather events such as cyclones and floods
Physical Risks	**Chronic** • Changes in precipitation patterns and extreme variability in weather patterns • Rising mean temperatures • Rising sea levels

TYPE	CLIMATE CHANGE-RELATED OPPORTUNITIES
Resource Efficiency	• Use of more efficient modes of transport • Use of more efficient production and distribution processes • Use of recycling • Move to more efficient buildings • Reduced water usage and consumption
Energy Source	• Use of lower-emission sources of energy • Use of supportive policy incentives • Use of new technologies • Participation in carbon market • Shift towards decentralized energy generation
Products and Services	• Development and/or expansion of low emission goods and services • Development of climate adaptation and insurance risk solutions • Development of new products or services through R&D and innovation • Ability to diversify business activities • Shift in consumer preferences
Markets	• Access to new markets • Use of public-sector incentives • Access to new assets and locations needing insurance coverage
Resilience	• Participation in renewable energy programs and adoption of energy-efficiency measures • Resource substitutes/diversification

Source: See pages 10-11 of *Recommendations of the Task Force on Climate-related Financial Disclosures*. Available at www.fsb-tcfd.org.
Note: The risks and opportunities described in the table are not mutually exclusive, and some overlap exists.

Climate change has been one of our focus areas for over a decade now, such that we are well positioned to respond to the pace of change in the regulatory and technological spheres. A thorough understanding of the climate change-related risks and opportunities in our portfolio is largely developed from an understanding of our portfolio companies. This aligns well with the work that we are doing through our involvement on the Task Force on Climate-related Financial Disclosures.

For more than a decade, we have been engaging with companies that emit high levels of greenhouse gas emissions to seek better disclosure and improve their practices related to climate change. We believe that engaging with companies on this topic and pressing for improvement, often in collaboration with other investors, will help build long-term value. As an investor with a long-term horizon, we can be a patient provider of capital and engage with the companies that we invest in to bring about positive change. Instead of simply selling our investments that are exposed to climate change risks, we are an active asset owner that seeks better disclosure and practices.

Direct engagements

We believe expectations around disclosure of climate change-related risks and opportunities will continue to evolve at a rapid pace in light of global developments. This year, we led and participated in collaborative engagements alongside other Canadian and global investors through which we pressed large greenhouse gas emitters in oil & gas, utilities and other sectors for improved disclosure related to greenhouse gas emissions strategies and performance. We are encouraged that a number of companies have provided enhanced disclosure regarding climate change-related matters and potential impacts to their businesses over the longer term. We will continue to press for additional enhanced disclosure which will better enable investors to reflect the risks and opportunities of climate change in our assessments of investment value.

Hermes EOS engagements

In addition to the engagement work done by CPPIB's Sustainable Investing group directly, CPPIB also works with Hermes EOS, our global collaborative engagement platform. Hermes EOS' work focuses on sectors most exposed to climate change, including oil & gas, mining, metals, materials, utilities, automotives and financial services as well as supply chain considerations in the retail and consumer goods sectors. During this reporting period, Hermes EOS engaged with 53 companies globally on climate change on behalf of CPPIB and others. In addition to engagements with companies, Hermes EOS contributes to the work of other global organizations on climate change, including the Institutional Investors Group on Climate Change (IIGCC) and the Task Force on Climate-related Financial Disclosures (see page 49).

CDP CLIMATE CHANGE PROGRAM

Since 2006, we have supported the CDP – formerly known as the Carbon Disclosure Project – which seeks increased disclosure and management of climate change risks from approximately 6,000 companies globally. More than 825 investors have now signed on to the initiative, representing US$100 trillion in assets under management.

Engaging with companies to reduce methane emissions

In 2017, we joined the Advisory Committee of the United Nations-supported Principles for Responsible Investment's (PRI's) collaborative engagement on methane risks in the oil & gas and utilities sectors. The focus of the engagement is to encourage companies to reduce methane emissions, improve management of methane emissions and enhance disclosure.

The engagement was launched to PRI signatories in early 2017 and will continue through 2018. We will continue to take an active role in this collaborative engagement and have chosen to lead a number of the 25+ engagements alongside 35 global investors.

PROXY VOTING

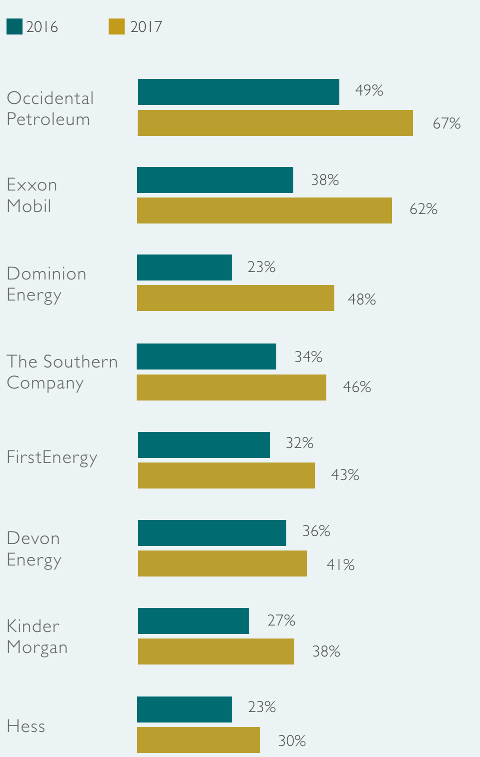
Over the reporting period, CPPIB supported more than 30 climate change-related shareholder resolutions. Several of these sought deeper disclosure on five areas related to climate change risk and opportunity management: (i) ongoing operational emissions management, including on methane, (ii) asset portfolio resilience based on scenario analysis, (iii) low carbon energy research and development and investment strategies, (iv) director skill-set and experience and (v) public policy interventions (see pie chart below).

CPPIB has been supporting shareholder proposals that encourage companies to improve disclosure of climate change-related risks and opportunities for over a decade. This year marked a turning point for shareholder support on climate change-related resolutions. We witnessed an unprecedented level of support from shareholders globally, particularly at oil & gas and utility companies (see bar chart below). CPPIB will continue to support proposals that enable stakeholders to better understand a company's exposures to climate change-related risks and opportunities. This increased support for climate change-related resolutions is encouraging, and we hope it will further motivate companies to improve their disclosure and management of relevant climate change-related risks and opportunities.

The bar chart below shows the change from 2016 to 2017 in the proportion of shareholders who agreed that the companies in question should conduct assessments of long-term impacts of public climate change policies aimed at reaching the globally agreed upon 2-degree Celsius target.

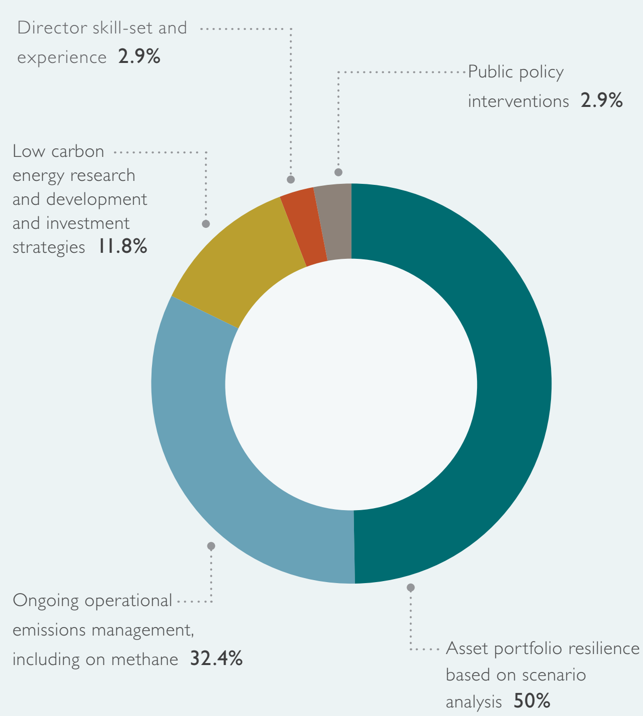
CLIMATE CHANGE-RELATED SHAREHOLDER PROPOSALS THAT CPPIB SUPPORTED IN 2017

UNPRECEDENTED LEVEL OF SUPPORT COMPARED TO 2016



The chart represents select companies whose climate change-related shareholder proposals that CPPIB supported in both 2017 and 2016, among other shareholders.

SHAREHOLDER PROPOSALS BY TYPE



Water

Why We Engage:

Effective management of water supply, use and quality is fundamental to the long-term sustainability of many companies. These factors can have direct operational impacts with the potential to affect companies' performance. This makes understanding water-related risks especially relevant to investors both today and over the long term.

What We Seek:

- Increased reporting on water-related strategies and performance.
- Improved and more comparable disclosure of water-related data.
- Better management of water risks.

ENGAGEMENT

Direct engagement

Over the years, we have engaged with companies in the oil & gas and mining sectors. We have monitored and have encouraged the additional work being done within these industries to create consensus around key performance indicators and reporting guidelines for water.

Following our research on and engagement with companies in key sectors this year, we continue to see companies provide less than sufficient disclosure on water risks. Over the past year we have continued our work with companies, industry bodies and investors on ways to improve water disclosure and further build consensus around what metrics and information are most relevant to key stakeholders. Our expectation is that company disclosures on water risks and key performance indicators will be enhanced. Improved and more consistent disclosure makes comparisons across companies easier and is one of the reasons why CPPIB is an investor signatory to CDP Water (see below).

Increasing disclosure on management of water resources

The CDP Water program asks companies to disclose, via a questionnaire (the CDP Water Information Request), their efforts to manage their water-related risks. CPPIB was among the initial investor signatories that supported the launch of the CDP Water program in 2010. Investor signatories can use the data collected by CDP to better engage with portfolio companies, mitigate risk, capitalize on opportunities and make investment decisions.

The most recent CDP Water Information Request was supported by 643 institutional investor signatories representing over US$67 trillion in assets. In 2016, 1,252 companies were sent the questionnaire and 607 responded. The CDP 2016 Global Water Report noted that 61% of respondents measure and monitor all aspects of water use and discharge. Over half (54%) of respondents have set both targets and goals to better manage water resources.

Hermes EOS engagements

Water risk engagements have been a long-standing theme for Hermes EOS, our global collaborative engagement platform. Hermes EOS' water-related engagements focus on the consumer goods, mining and utilities sectors and include topics such as water stress (shortages of water), water management systems and water risk in supply chains. Companies are also encouraged to respond to the CDP Water Information Request. During the reporting period, Hermes EOS engaged with 14 companies on water-related matters on behalf of CPPIB and others.

Proxy voting

This year, we continued to support shareholder proposals requesting improved management and disclosure of water-related risks, including those stemming from water availability and quality. Proposals we supported relating to requests for increased disclosure of water risk management practices included those at Ameren Corporation and Monster Beverage Corporation.

What is the magnitude of the water crisis?

Water is one of the world's most critical resources. Climate change is adding to the challenges related to water quality and availability. Over the past decade, the World Economic Forum has consistently identified water supply crises as one of the greatest global risks to society. The United Nations expects a 40% shortfall in global water supply by 2030 unless the international community dramatically improves water management. Similarly, the World Bank predicts that water will become scarce in regions where it is currently abundant – such as Central Africa and East Asia – and scarcity will greatly worsen in regions where water is already in short supply – such as the Middle East and parts of Africa. According to the World Bank, these regions could see their growth rates decline by as much as 6% of GDP by 2050 due to water-related impacts on agriculture, health and incomes.

Human Rights

Why We Engage:

Human rights are relevant from an investment perspective because of the operational disruptions and reputational issues that can arise when human rights matters are not appropriately managed. Effective management of human rights risks is an important matter for companies to consider to enhance their long-term value.

What We Seek:

- Enhanced reporting on identifying, managing and mitigating human rights-related risks.
- Improved human rights practices, including those specific to supply chain management.

We believe that strong human rights practices contribute to long-term value. Therefore, engaging on this topic with companies in our portfolio is an important part of our mandate to maximize long-term returns. Companies with strong human rights policies and practices are less likely to face disruptions to operations from legal and regulatory risk, protests, workforce action and other activities, as well as suffer reputational issues due to human rights-related controversies. We also assess human rights risks within the supply chain of companies, primarily considering poor working conditions and labour issues (e.g., child labour). We are currently focusing our engagement efforts on supply chain management in the consumer and information technology sectors.

ENGAGEMENT

Collaborative engagements

We have been a member of the Advisory Committee of the UN-supported Principles for Responsible Investment's collaborative engagement on Human Rights in the Extractive Sectors (i.e., oil & gas and mining companies) since 2014. The focus of this ongoing engagement is to encourage companies to implement the UN Guiding Principles on Business and Human Rights and to improve the disclosure of their human rights policies and processes. It is directed at 30+ engagements alongside over 50 global investors. We lead and participate in a number of these engagements.

Hermes EOS engagements

Human rights is a theme for engagements conducted by Hermes EOS, our global collaborative engagement platform. Hermes EOS engages on topics such as poor working conditions, child labour and local community relations. Companies are also encouraged to adhere to or align with initiatives such as the Global Business Initiative on Human Rights and the UN Guiding Principles on Business and Human Rights. During the reporting period, Hermes EOS engaged with 41 companies on human rights-related matters on behalf of CPPIB and others.

Proxy voting

Over the reporting period, CPPIB supported eleven human rights-related shareholder proposals, including proposals requesting more disclosure of human rights risk assessment processes and human rights risks in supply chains.

What do we mean by human rights?

We consider human rights broadly and are guided by the definitions set out in the United Nations Universal Declaration of Human Rights. Relevant issues for companies can take the form of forced, slave or child labour; may involve impacts from bribery and corruption; and can result from poor working conditions (including health and safety practices), poor relations with local populations and indigenous peoples or poor security practices. Any of the above topics can also be relevant human rights matters within the supply chains of companies.

Engaging on human rights issues in the cobalt industry

The increasing demand for electric vehicles has spurred a rise in the demand for cobalt – a key component of the lithium-ion batteries, which are used in such vehicles. We have participated in a collaborative engagement related to child labour and human rights concerns in the cobalt mining industry in the Democratic Republic of the Congo, which is the world's largest producer of cobalt. The engagement aims to encourage 13 electronics, automotive and battery manufacturing companies to improve their supply chain management systems, particularly related to identifying and mitigating human rights risks in the procurement of cobalt. The group also engaged with the Electronics Industry Citizenship Coalition (EICC), the Organisation for Economic Co-operation and Development (OECD) Responsible Business Conduct unit and the World Economic Forum (WEF) to discuss the facilitation of improved cobalt sourcing practices. Over the past year, we have seen enhanced disclosure at a few companies that we have engaged with regarding their cobalt sourcing practices. We expect others to follow suit over the next year, particularly as guidance becomes available from a number of new initiatives, such as EICC's Responsible Raw Materials Initiative and WEF's Clean Battery Initiative.

Executive Compensation

Why we engage:

Clear and appropriate links between executive pay and company performance contribute to alignment of the interests of management and long-term investors. When these interests are aligned, long-term shareholder value is more likely to be created.

What we seek:

- A clear link between executive pay and company performance that appropriately aligns management and investors.
- Appropriately structured executive compensation programs that emphasize long-term and sustainable growth of shareholder value.
- Full disclosure in corporate reporting of compensation information and clear rationales for compensation decisions.

Executive compensation is an important factor in a company's prospects for creating sustainable long-term value. Well designed incentive schemes shape the actions of management and the level of risk that management is willing to assume. They also contribute to the ability of a company to attract and retain talent. We exercise our ownership rights and advocate for companies to adopt good governance practices with respect to executive compensation. We focus not only on how much executives are paid, but more importantly on how a compensation plan aligns the interests of management with those of long-term investors. To this end, over the past few years, we have focused on the emerging executive compensation issue of "outside of plan awards" (see pages 53-54).

Direct engagement

Executive remuneration is a key focus of our governance engagements. We engaged with more than 30 companies on executive compensation issues during the reporting period. This represents a 50% year-over-year increase in the number of this type of engagements. These engagements provided an opportunity for companies to explain their rationale for key compensation decisions and for us to provide feedback aimed at strengthening the link between pay and performance, encouraging an appropriate level of risk taking and promoting long-term decision-making.

Hermes EOS engagements

CPPIB also engages on executive compensation matters through our global collaborative engagement platform, Hermes EOS. Hermes EOS engages globally with company compensation committees and boards, regulatory authorities and industry bodies to promote compensation structures that align executives' interests with those of long-term investors. During the reporting period, Hermes engaged with 127 companies on executive compensation on behalf of CPPIB and others, well over double the prior period.

ENGAGING WITH REGULATORS ON SAY ON PAY

Say on Pay is an important part of the ongoing engagement process between shareholders and boards regarding compensation practices. While Say on Pay is considered a key part of shareholder democracy and is mandatory in a number of markets, Canada stands out by not requiring a mandatory vote on executive compensation. We participated in a collaborative engagement with other Canadian institutional investors to advocate for mandatory annual Say on Pay in Canada. As part of this effort, we met with the securities commissions in Alberta, British Columbia, Ontario and Quebec to encourage regulators to take concrete steps to advance the adoption of mandatory annual Say on Pay for all publicly listed issuers in Canada.

PROXY VOTING

Say on Pay provides shareholders with the means to provide direct feedback on the board's compensation decisions. We believe that Say on Pay encourages better investor-corporate dialogue on executive compensation, leading to improved disclosure and pay practices. A number of companies that received low support for Say on Pay in 2016 responded to feedback from CPPIB and other investors and implemented positive changes this year.

What is Say on Pay?

Say on Pay refers to the ability of shareholders to vote directly on executive compensation. Depending on regulatory requirements or internal corporate policies, Say on Pay can be either a binding or non-binding vote.

Voting and engaging to improve executive compensation

In 2016, CPPIB voted against a major U.S. food company's pay plan due to a misalignment between executive pay and company performance. We were concerned that long-term incentives were earned above target levels in the context of a prolonged period of poor absolute and relative performance by the company. Following the company's 2016 annual meeting, CPPIB met with the Chair of the Compensation Committee to express our concerns. In response to the feedback provided by CPPIB and other shareholders, the company made a number of positive changes to its pay program, including removing minimum award payouts for performance equity, eliminating immediate vesting of equity awards and imposing a two year post-exercise holding period on option awards to promote longer-term decision-making. Our engagement with the company contributed to improvements to the pay plan as evidenced by the overwhelming support the pay plan received at the annual meeting this year, going from 70% support in 2015 and 67% support in 2016 to 97.6% support in 2017.

Additional Engagement Activities

GOVERNANCE PRACTICES

We firmly believe that well-structured and effectively functioning boards are crucial in order for companies to have a steadfast focus on long-term sustainable growth. We believe that companies with best-in-class governance practices are better positioned to enhance long-term, sustainable value and pose less risk for stakeholders. We took a number of steps this year to advocate for the adoption of good governance practices both in Canada and around the world.

The Sustainable Investing group engaged with close to 60 companies on governance issues during the reporting period, which represents a 50% year-over-year increase in the number of governance engagements. These engagements provided CPPIB with an opportunity to share our overall approach and views on corporate governance and focused on ways for companies to improve practices related to executive compensation, shareholder democracy and board composition. In an increasing number of cases, we met with board chairs or directors, which gave us a better understanding of the rationale for key governance decisions and an opportunity to provide direct feedback to the board.

GENDER DIVERSITY

CPPIB views board gender diversity as a critical component of good governance. We believe boards that are more gender diverse are more likely to achieve better results for investors. Our expectation is that boards should be diverse, including with respect to gender. Having directors with a range of experiences, views and backgrounds will help to ensure the board as a whole has the right mindset to properly evaluate management and company performance. This view is set out in CPPIB's *Proxy Voting Principles and Guidelines* (available at www.cppib.com/PVPG), which set out our views on governance matters and guide our vote decisions.

Proxy voting

We continued to support shareholder proposals seeking to improve issues related to gender diversity where such proposals were not overly prescriptive. This year we supported 24% (5 of 21) shareholder proposals requiring companies to adopt a policy for improving their board diversity. We supported these proposals in instances where the company was not already taking meaningful steps to improve its diversity. We also supported 79% (11 of 14) of shareholder proposals that called on companies to report on their policies and goals to reduce the gender pay gap among their male and female employees.

Hermes EOS engagements

CPPIB also engages on gender diversity through the global collaborative engagement platform, Hermes EOS. Hermes EOS engages with companies to ensure the optimal board composition and structure are in place. Companies are encouraged to improve the gender diversity of their boards. Hermes EOS engaged with 44 companies on board composition and gender diversity issues on behalf of CPPIB and others during the reporting period.

New proxy voting practice to address gender diversity

In advance of the 2017 proxy season, CPPIB adopted a new voting practice to address gender diversity on boards in Canada. For all of our Canadian public holdings, we will now vote against the election of the chair of the nominating committee if the board has no female directors, provided there are no extenuating circumstances warranting an exception to this voting practice for the company.

During this proxy season, we voted at shareholder meetings for 45 Canadian public companies with no women directors. We reviewed each of these company's public disclosures related to gender diversity. We made efforts to engage with these companies before voting against the nominating committee chair. Our company outreach resulted in many engagement discussions about company views and plans to address the gender diversity of their boards.

We voted against 34 directors under this voting practice. We will continue to monitor developments and improvements in board composition of our investee companies. We are encouraged by our engagement discussions and expect to see an improvement in the representation of women directors over the next year.

PROXY VOTING OVERVIEW

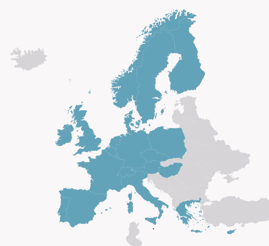
2017 Proxy Season Facts

WE CONVEYED OUR VIEWS AT:

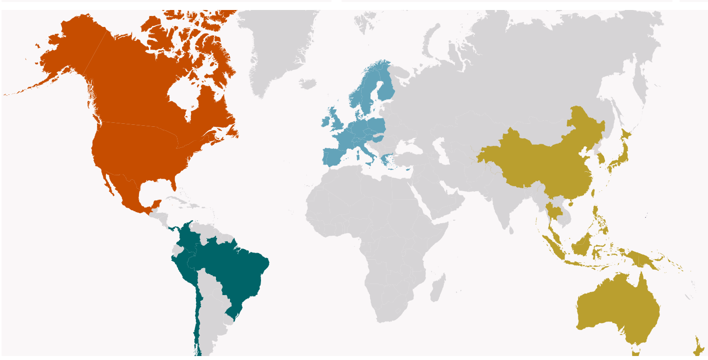
1,783
meetings in
North America

1,859
meetings in
Asia Pacific

682
meetings in
Europe



141
meetings in
Latin America



361
meetings in rest of world

4,826 meetings in Total

WE VOTED ON:

51,983
agenda items

Voted in
59
countries

Voted against
management in
8.24% of cases

2017 PROXY SEASON THEMES

The following tables present key themes in the 2017 proxy season and our voting decisions.

Proposal	Vote	General Rationale for Vote
VOTES ON COMPENSATION		
Say on Pay/Approve Remuneration Report	17% AGAINST; 1,791 VOTES	Voted against where the company was deficient in linking executive pay with long-term company performance.
Say on Pay Frequency	100% FOR; 864 VOTES	Annual say on pay votes promote effective oversight of executive compensation and allow shareholders to provide timely feedback to the company.
Approve Share Plan Grant	49% AGAINST; 182 VOTES	Voted against where the plan cost was excessive and did not contain challenging performance criteria.
Compensation Related Shareholder Proposals	30% FOR; 73 VOTES	Supported shareholder proposals that strengthen pay and performance alignment and help mitigate compensation-related risk.
VOTES TO ENHANCE SHAREHOLDER DEMOCRACY		
Proxy Access	100% FOR; 52 VOTES	The ability to nominate board candidates enhances shareholder rights and increases board accountability.
Reduce Supermajority Vote Requirement	100% FOR; 13 VOTES	Requiring more than a simple majority of voting shares may permit management to entrench itself by blocking amendments that are in the best interests of shareholders.
Require Independent Board Chair	100% FOR; 40 VOTES	An independent chair is better able to represent shareholder interests and oversee management without conflicts.
VOTES TO ENCOURAGE ENHANCED DISCLOSURE AND PRACTICES ON ENVIRONMENTAL AND SOCIAL MATTERS		
Enhance Disclosure on Environmental and Social Risks and Performance	63% FOR; 79 VOTES	Improved disclosure allows investors to assess the operational risk profile of companies with respect to financially relevant, long-term environmental and social factors.
Adopt/Disclose Corporate Responsibility Standards	48% FOR; 60 VOTES	Companies that adopt and enforce high standards of business conduct are likely to achieve better long-term financial performance.
Report on Political Contributions/Lobbying	91% FOR; 69 VOTES	Greater disclosure of political spending helps shareholders assess associated costs, risks and benefits.

INTEGRATION

OUR APPROACH:

Integrating Environmental, Social and Governance Factors into Investment Decisions

SUSTAINABLE INVESTING COMMITTEE

CLIMATE CHANGE WORKING GROUP

FUNDAMENTAL EQUITIES RELATIONSHIP IN

PRIVATE EQUITY INFRASTRUCTURE

REAL ESTATE NATURAL RESOURCES

FUND, SECONDARIES AND CO-INVESTMENTS

THEMATIC INVESTING EXTERNAL PORTFOLIO

INTEGRATION

Consistent with our long-term view, we make investment decisions that incorporate a wide range of environmental, social and governance (ESG) factors both before and after making investments. Our in-house Sustainable Investing group works with investment colleagues throughout CPPIB to help them identify and assess ESG matters.

CPPIB's assessment of ESG considerations in our investments in public markets, private markets, investment partnerships and real assets can be an important factor in determining whether a potential investment is attractive. Where such ESG considerations are material, they can significantly affect our assessment of a company's risk profile and value.

CPPIB devotes resources to a dedicated in-house Sustainable Investing group that works efficiently and effectively across CPPIB to support investment analyses on the impact of ESG factors. In addition, the Sustainable Investing group conducts research regarding industry standards and best practices and expands our knowledge and resources by collaborating with external partners and industry associations.

What do we mean by **Integration?**

When we talk about integration in this context, we are referring to how the risks and opportunities arising from potentially material ESG factors are incorporated into investment decision-making processes and asset management activities throughout the organization.

Caption: In 2016, CPPIB expanded our partnership with Oxford Properties by acquiring a 50% interest in a Canadian office portfolio. The newest building, Toronto's EY Tower, was completed in May 2017 and will achieve LEED Platinum. LEED buildings feature efficient water and energy conservation systems, and are designed to meet a high standard of indoor environmental quality. CPPIB's real estate investment team integrates environmental factors (such as efficiency) into their decision-making.

Members of the Sustainable Investing Group (left to right): Michael Ma, Lauren Gonsalves, Adriana Morrison, Stephanie Leaist, Redon Gallani, Tammy Bodnar and Samantha Hill

SUSTAINABLE INVESTING GROUP

Our Sustainable Investing group is made up of individuals with expertise in environmental, social and governance matters. It assesses and provides input on evolving trends and best practices in these areas and provides input on company-specific, thematic and sector ESG research. The group works with our investment departments to ensure that ESG risks and opportunities are incorporated into our investment decision-making and asset management activities, as standard practice. It also supports our role as an active, engaged owner, by informing the exercise of our proxy voting rights, and works to enhance long-term performance of companies in which we invest by engaging, either individually or collaboratively, with other investors.

SUSTAINABLE INVESTING COMMITTEE

CPPIB's Sustainable Investing Committee is comprised of nine individuals from different teams across the organization and is responsible for overseeing the functions of the Sustainable Investing group, with senior management and Board oversight as appropriate. A wide range of topics are explored, discussed and/or approved, including climate change-related matters, engagement focus areas, ESG integration process updates with investment teams and CPPIB's *Proxy Voting Principles and Guidelines.* Committee members also share their teams' ESG-related activities, experience and expertise with the Committee and keep their respective teams informed about the Sustainable Investing group's activities. The Committee held five formal meetings this year in addition to other ad hoc interactions.

Members of our Sustainable Investing Committee (left to right): Rob Mellema, Paul McCracken, Rio Mitha, Stephanie Leaist, Brian Savage, Lisa Olsen, Scott Lawrence, Stephen Huntley and Eric Wetlaufer

ESG Reports: An important tool for evaluating ESG factors in Public Market Investments

CPPIB's in-house Sustainable Investing group works closely with investment teams in Public Market Investments to enhance our ability to integrate ESG factors into investment decisions and ownership activities. The Sustainable Investing group tailors its approach to suit the investment strategy and the specific needs of the particular investment team it is working with.

One of the Sustainable Investing group's regular activities is creating ESG reports of publicly traded companies for our investment teams to consider in their active investment decisions, enabling them to identify material ESG risks and opportunities early on. The reports provide an analysis of companies' practices, policies, oversight mechanisms and disclosure related to ESG matters. The analysis is informed by a variety of sources, including corporate disclosure and third-party research, as well as the Sustainable Investing group's own domain expertise and experience from interactions with companies and stakeholders. Higher level reviews of companies are provided at an early stage of the investment process and may be followed by a more in-depth report if the investment review proceeds. The Sustainable Investing group provided more than 40 ESG reports to our Public Market Investment teams this year.

2017 REPORT ON ACTIVITIES

Members of our Climate Change Working Group (left to right): Caroline Rogers, Samantha Hill, Mark Shulgan, Shelina Ilic, Stephanie Leaist, Jeff Hodgson, Kevin Godwin, Redon Gallani and Rio Mitha

Absent: Kevin Bespolka, Avik Dey, Martin Healey, Rocky Ieraci, Martin Laguerre, Tara Perkins and Cindy Lee

CLIMATE CHANGE WORKING GROUP

In mid-2016, CPPIB launched an internal Climate Change Working Group (CCWG), in order to more effectively focus our efforts with respect to climate change and coordinate work across the organization. This is an investment-driven initiative aimed at i) developing appropriate tools, processes and metrics to assess climate change-related risks and opportunities in our investment and asset management activities and ii) developing and recommending relevant actions for CPPIB to address these risks and opportunities in our existing and future investments. The cross-departmental CCWG is comprised of representatives from Sustainable Investing, investment departments, Investment Risk, Total Portfolio Management and Public Affairs and Communications. The CCWG works to develop analysis, processes and methodologies so that CPPIB can more systematically consider the impact of these risks and opportunities on our portfolio as a whole, as well as on individual investments across our investment departments.

Through this initiative, we are:

- Conducting a comprehensive assessment of how climate change is considered in our investment strategies and processes across all of our investment departments and developing recommendations for enhanced resources to assist investment teams across CPPIB in their assessment of climate change-related risks and opportunities;
- Considering how to assess climate change risks at the total portfolio level, including an assessment of climate change risks at the country level, and exploring ways to better evaluate physical risks;
- Ensuring that climate change is appropriately incorporated into our enterprise risk framework; and
- Considering a forward-looking view of the long-term energy transition to lower carbon sources, production and use and its impact.

CONSULTING WITH INVESTMENT TEAMS ON PROXY VOTING

The Sustainable Investing group is responsible for voting CPPIB's shares at all shareholder meetings for the publicly traded companies in which we invest. The Sustainable Investing group frequently consults with our investment teams for their views on voting matters and integrates those views into voting decisions. Investment teams across CPPIB's global offices provide valuable input based on their in-depth knowledge of specific companies, industries and geographic markets.

This year, the Sustainable Investing group considerably increased its interaction with CPPIB's External Portfolio Management (EPM) team in Hong Kong on proxy voting matters in Asia. During the proxy voting season, the EPM team was consulted on votes at more than 180 shareholder meetings, a 140% increase in such interactions compared to last year. Integrating views from the EPM team and our external managers into voting decisions helps to ensure that we are leveraging our global expertise and relationships.

Another development this year was the implementation of a new automated system for notifying investment teams of upcoming shareholder meetings. This system helps to ensure that investment teams are notified of relevant information related to upcoming shareholder meetings in real-time and facilitates a productive and efficient two-way communication between the investment teams and the Sustainable Investing group on voting matters.

ANTI-PERSONNEL LANDMINES AND CLUSTER MUNITIONS

Pursuant to our *Policy on Responsible Investing*, we only invest in businesses that would be lawful if carried on in Canada. We use third-party expert research to identify companies globally that may be ineligible for investment under our Policy. Our Sustainable Investing group conducts its own research and, if necessary, communicates directly with companies. The Sustainable Investing Committee reviews and approves all additions and deletions from CPPIB's list of prohibited companies. These include:

› Anti-Personnel Landmines: We will not invest in companies that are not in compliance with Canada's *Anti-Personnel Mines Convention Implementation Act*, or that would not be in compliance if they operated in Canada.

› Cluster Munitions: We will not invest in companies that are not in compliance with Canada's *Prohibiting Cluster Munitions Act,* or that would not be in compliance if they operated in Canada.

Our annual disclosure of public equity holdings may show amounts for companies that would be precluded from investment under the *Policy on Responsible Investing.* Any and all such exposures are indirect, resulting from CPPIB's use of market-traded index futures contracts. The composition of the indices is standard and beyond the control of CPPIB. Our exposures do not assist or affect the capital formation of these companies and CPPIB has no direct investment in them.

Public Market Investments

Although performance measures on ESG factors tend to be more qualitative, sometimes less accessible and consistent than traditional financial metrics, the impact of these factors is potentially large and we carefully assess their related risks and opportunities.

While ESG factors are considered across the Public Market Investments department, evaluation of ESG factors plays a key role in the work of our Relationship Investments (RI) and Active Fundamental Equities (AFE) groups in particular.

FUNDAMENTAL EQUITIES: BENEFITING FROM ESG OPPORTUNITIES

In 2017, CPPIB integrated the RI and the AFE (formerly known as "Global Corporate Securities – Fundamental Investing") groups into a combined group called Fundamental Equities (FE).

RI makes significant direct minority investments in public (or soon-to-be-public) issuers where an investment by CPPIB can make a meaningful difference to the success of the company and thereby help generate long-term outperformance relative to peers. Each investment involves an active ongoing relationship with the company's management team and board of directors. AFE is responsible for generating alpha through dynamic equity investments informed by deep, bottom-up fundamental research. This research is used to create a concentrated long-short, market neutral portfolio. The FE portfolio is global in scope, encompassing both developed and emerging markets, and leverages the team's physical presences in Toronto, London, Hong Kong, São Paulo and New York.

Relationship Investments

RI seeks to benefit from being a long-term investor in public markets where the majority of participants are focused on short-term results. RI views a company's governance structure and its approach to managing environmental and social factors as indicators of its ability to grow sustainably and create long-term value. Assessing such practices is an integral part of RI's initial investment opportunity screening process. If the investment moves to the due diligence phase, relevant ESG factors and practices are further evaluated through discussions with the company's management team and directors, internal analysis and expert advice.

Once an investment is made, RI can often leverage its status as a significant shareholder to monitor and engage with company management teams to promote ESG best practices to enhance long-term value creation.

Active Fundamental Equities (AFE)

The AFE team undertakes in-depth research to generate insights into the underlying reasons for company mispricing and an understanding of how they may be resolved. Evaluating ESG risks is central to the AFE process. The team examines risks that could affect a company's ability to execute its business plans, the value of its assets and liabilities, and its future profitability. While ESG risks are more publicized in some sectors than others, they are important across all sectors.

AFE's evaluation of companies includes an ESG report prepared by CPPIB's Sustainable Investing group and, depending on the initial assessment, can progress into focused research on specific ESG factors relevant to the investment decision. AFE also works closely with Sustainable Investing on proxy voting-related matters, particularly those that are contentious or relate to key considerations for our investments.

ESG issues can be significant drivers or barriers to profitability, especially over the long horizon for which CPPIB invests. AFE's analysis of these factors informs our risk assessment and returns expectations for prospective investments and helps us determine the long-term attractiveness of an investment.

HONG KONG BROADBAND NETWORK LIMITED

Hong Kong Broadband Network Limited (HKBN) is Hong Kong's second largest residential broadband service provider by number of subscriptions, reaching more than 2.1 million residential homes and 2,100 commercial buildings. CPPIB invested HK$1.6 billion (US$210 million) in HKBN and is the largest shareholder with 18% ownership and a representative on the company's board of directors. In a 2016 investor survey of best-managed companies in Asia by FinanceAsia, HKBN was one of the highest-ranked companies in Hong Kong. During our investment due diligence, CPPIB noted HKBN's strong performance on ESG factors.

In 2017, HKBN asked CPPIB to participate in an interview conducted by an independent third-party consultant to provide feedback on the company's ESG practices and performance, as well as key ESG focus areas for the future. CPPIB viewed the stakeholder outreach to be a positive practice, demonstrating the company's dedication to ESG matters.

Promoting good governance at the Postal Savings Bank of China

In December 2015, CPPIB invested US$500 million to anchor the US$7.1 billion pre-IPO strategic capital raised by Postal Savings Bank of China (PSBC), the fifth largest bank in China by total assets. The investment was made alongside other strategic investors, including leading global and regional banks, international investors and Chinese Internet companies. With the support of these leading pre-IPO investors, in September 2016, PSBC successfully completed its US$7.4 billion IPO on the Hong Kong Stock Exchange. Post-IPO, CPPIB holds approximately 1% of the company.

As part of the investment, CPPIB entered into a Strategic Cooperation Agreement with PSBC, whereby CPPIB will leverage its internal expertise and external networks to support the long-term growth of the bank and facilitate the development of its talent pool. In November 2016, several senior representatives from PSBC participated in workshops and educational sessions hosted by the University of Toronto and taught by local experts in corporate governance, risk management and compliance. The agenda also included a working session with our President & CEO, Mark Machin, that was delivered in Mandarin, as well as a presentation and discussion on ESG matters by members of our Sustainable Investing group.

PSBC workshop participants with Mark Machin, President & CEO, CPPIB

Private Investments and Infrastructure

APPROACH TO DIRECT PRIVATE INVESTMENTS IN PRIVATE EQUITY AND INFRASTRUCTURE

CPPIB has a large degree of ownership, interest and influence in our direct private equity and infrastructure investments. We intend to hold private investments for several years, even decades in the case of infrastructure investments.

These long investment horizons mean the ongoing management of ESG factors can impact investment values significantly. For this reason, the evaluation of ESG opportunities and risks is an integrated part of the due diligence process for our direct investments in private equity, natural resources and infrastructure. As an owner of a growing private investment portfolio, we must manage ESG factors across a wide range of companies in diverse sectors. We tailor our approach for the ESG evaluation of each transaction as circumstances and issues differ by deal structure, company, sector and geography.

Furthermore, guided by the UN-supported Principles for Responsible Investment and internationally recognized standards, we focus our ESG evaluation and management approach for direct private investments in six areas: environment, health and safety, labour and working conditions, community relations, business integrity and corporate governance.

OPPORTUNITY SCREENING AND DUE DILIGENCE

CPPIB's due diligence is not time-bound; rather it is an ongoing concern, especially in relation to ESG factors. CPPIB implements a highly customized and structured approach to due diligence of ESG factors in our direct private investments based on international best practice. Once we have made a direct investment in a private company or infrastructure asset, we continue to closely monitor ESG risks and opportunities over the life of the investment by implementing customized monitoring approaches that reflect industry, geography and other company-specific factors. We base these approaches on best practices in the industry and geography the company operates in and also the best practices of other investment organizations.

STAGES TO MANAGING ESG FACTORS IN THE DILIGENCE OF DIRECT PRIVATE INVESTMENTS

Opportunity Screening

CPPIB's deal team identifies and highlights the key ESG factors in the preliminary evaluation of a target company at the screening stage.

Primary Due Diligence

If CPPIB proceeds to due diligence, we conduct a structured and intensive review of a target company's business model and key ESG risk factors by accessing a number of sources, including senior management and corporate information, in-house specialists and contracted environmental, technical, engineering, legal, security and accounting experts as necessary.

Governance & Investment Recommendation

The investment approval process includes an assessment of material ESG matters. The deal team assesses the potential financial impact of the ESG risks and quantifies the associated costs and opportunities. CPPIB encourages best practices for board governance. As owners, we work to put appropriate controls and processes into each of our portfolio assets.

While unique to the circumstance and asset type, all due diligence processes include three stages: opportunity screening, primary due diligence and a governance and investment recommendation.

MONITORING

Once CPPIB has acquired a major stake in a private company, we become a highly engaged and constructive long-term partner to enhance the company's ongoing operational and financial performance. This approach seeks to drive value creation, which is in the best interests of CPP's 20 million contributors and beneficiaries and other stakeholders. In particular, ESG issues that we identified as part of the due diligence process and others that may emerge over time require active management, whether directly or through our partners. Relevant ESG factors are monitored via CPPIB's regular semi-annual monitoring processes for all direct assets.

Through the active governance model of direct private investments, CPPIB and our partners are able to directly influence portfolio companies commensurate with our ownership stake. Depending on the level of CPPIB's influence, our ongoing engagement in the company's monitoring of ESG performance can take several forms.

For example, where we have access to a company's regular board reporting, we can monitor and act on essential information on ESG performance indicators. Where we have board seats, we make our views known and seek to influence through those positions, and through the relevant board committees, such as health and safety, environmental, compliance, audit and others. This close contact with other directors and senior management gives us valuable insights, provides for close oversight of management's compliance with standards, allows us to encourage responsible business practices from within the organization and, in the long run, is expected to improve the company's financial performance and CPPIB's return on investment.

We seek to influence the composition of boards and board committees to best reflect required competencies and independence from company management. We press for appropriate executive compensation arrangements that are properly aligned with long-term shareholder interests. Compensation and board composition are high priorities for us; indeed, improvements in these areas may be part of our contractual agreement with a company in which CPPIB is a significant shareholder.

PORTFOLIO VALUE CREATION GROUP: ENHANCING OUTCOMES AS AN ENGAGED OWNER

Our Private Investments department has a Portfolio Value Creation group that is actively involved in the governance and management of CPPIB's direct investments in private equity and infrastructure assets. The group works closely with deal teams, management and partners to drive value within portfolio companies, through board oversight, performance monitoring and value creation from operations.

The Portfolio Value Creation group better enables us to realize the financial benefits that private ownership can provide by monitoring developments and commitments by our portfolio companies and helping resolve governance and operational issues as they arise. The group carries out a regular semi-annual monitoring process that includes ESG factors for major assets where CPPIB holds significant governance rights or control. In addition, the group ensures the implementation of CPPIB's ESG diligence and monitoring process for all investments in direct private equity, natural resources and infrastructure.

NATURAL RESOURCES

The Natural Resources group makes significant investments in resource-focused opportunities in the energy, metals and mining, and power generation sectors. The group also works closely with the Infrastructure group on renewable energy investments. Given the industry-specific risks associated with such investments, the Natural Resources group prioritizes the evaluation and monitoring of environmental, social and governance factors, working with portfolio companies to ensure best practices are implemented.

Take for example the resurgence of North American oil & gas production in recent years. Horizontal drilling and hydraulic fracturing technologies have made it possible to access reserves previously considered uneconomic. Due to concerns related to these technologies, environmental, health and safety practices relevant to companies' employees and the local communities in which they operate have evolved on an industry-wide basis and are a key focus area of our due diligence and monitoring efforts. Related to this is our focus on water management as a key consideration for these types of investments. This includes evaluating and monitoring whether portfolio companies are using water that cannot otherwise be consumed (i.e., non-potable), ensuring that water is properly managed and, wherever possible, recycling of all water used in operations. We also consider a priority the work that management teams of our portfolio companies do to engage local communities, including through town hall meetings and community relations offices. This includes listening to concerns and addressing feedback on issues such as the review of drilling sites and designs in order to ensure that community concerns regarding land usage and operations are addressed.

The Natural Resources group works closely with the Infrastructure group to evaluate opportunities in the renewable energy sector. As global focus on climate changes issues continues, renewable energy sources such as wind and solar will play an increasingly prominent role in the global energy mix moving forward.

Private Investments' ESG practices continue to evolve

Private Investments has had a structured and consistent approach in place related to due diligence and monitoring of ESG risks associated with our direct private investments since 2012. This approach is highly adaptive, designed to be applicable to any industry and any geography and encompasses priorities such as environmental impacts, water usage and human rights. CPPIB's Portfolio Value Creation (PVC) group continues to work with our investment teams and external advisors to refine this approach. This year, PVC continued to work with specialist advisors to streamline the ESG risk management approach to improve efficiency and update the scope for topics of increasing importance (e.g., data security). Since 2012, more than 116 potential investments have been screened through our ESG due diligence process, with 26 using the streamlined process this year.

The Sustainable Investing group works with teams in Private Investments to consider the potential investment implications of key ESG matters, including by providing domain expertise on issues related to climate change and water throughout the investment process and after the investment is made.

An interview with **Avik Dey**

The global energy transition and CPPIB's approach to climate change-aware investing

Avik leads CPPIB's Natural Resources group makes significant investments in resource-focused opportunities in the energy, metals and mining and power generation sectors. The group also works closely with the Infrastructure group on renewable energy investments. He has been active in the global energy sector since 1999 with roles across industry, private equity and investment banking.

Q. What are CPPIB's near- and long-term outlooks for the energy sector?

A. Over the short term, we see continued volatility in the commodities market because the rise of U.S. shale production is changing where the global supply of oil is coming from. Natural resources is an inherently cyclical business. So, we try to focus on buying assets and making investments that have the ability to endure those cycles and generate long-term returns for investors.

As we step back and evaluate the sector over the longer term, we think there is a very compelling opportunity to participate in fossil fuels and renewables. There will be a large increase in the aggregate demand for energy as the world goes from 7 billion people to nearly 10 billion by 2050. In addition to population growth, there's GDP growth, technology & innovation efficiencies, conservation and large-scale disruption that will contribute to long-term demand projections. When you take all of those factors into account, the bottom line is the world will require more energy. Between now and 2050, the world will need one-third more energy than we consume today.

Q. How does CPPIB approach climate change-aware investing?

A. We integrate climate change considerations into our investment process. We're active contributors to our company boards, and as a result, we focus on best practices, not only on the reporting side, but also in terms of applying and encouraging best practices around operations for our investee companies.

As a long-term investor, we have to evaluate all risks, short and long term, to investments. When investing in hydrocarbons or fossil fuels, we look at the long-term return potential of these assets, recognizing increasing regulation and environmental standards. We're going through a multi-decade energy transition which will increasingly rely upon renewable sources over non-renewable ones. We take all of those risks and contextualize our evaluation cases for each investment.

The growth of renewables and focus on decarbonisation is also spurring energy companies to become much more efficient. They need to do this to remain competitive. The lowest cost and most efficient energy producers will have increasing access to a shrinking pool of capital over time as we become increasingly reliant on renewables. Through our engagement activities with fossil fuel companies, CPPIB encourages energy efficiency initiatives to foster that evolution.

Q. How do you view the prospects of fossil fuel energy generation compared to renewables?

A. CPPIB's energy strategy covers both fossil fuels and renewable energy. Today, over 40% of the world's power comes from coal. As we think about the energy transition, in order for us to adopt renewables at an increasing pace, we have to continuously take higher emitting fuel sources for power generation offline. In a world that's growing, we have to gradually move away from coal, migrate to natural gas, and ultimately move towards renewable sources. We see this playing out over decades. Currently, 75% of new capacity is based on solar rather than fossil fuels. That is absolutely fantastic and we need more of that. What's not happening is the displacement of existing base load capacity for renewable power at the required rate to facilitate a quicker transition. So as we think about the areas of the world that are growing and need more power, we have to rely on all sources of fuel to provide that base power generation.

As these markets grow, they will need efficient and reliable long-term sources of power. With the cost of solar coming down as aggressively as it has, more than 65% in the last 5 years, there are really compelling opportunities to tackle market inefficiencies and build out the necessary capacity.

Real Estate

Full compliance with local environmental regulation is a basic requirement for any real estate investment by CPPIB. Yet in pursuit of our mandate to maximize CPP Fund returns without undue risk of loss, we seek to further enhance the value of our real estate holdings through prudent management of ESG factors in partnership with our operating partners. In particular, improvement in sustainable performance can increase potential rents and occupancy, reduce operating costs and thus increase a property's value and return on investment.

The office sector is especially sensitive to environmental factors and operating efficiencies. Leading tenants frequently seek out the most environmentally advanced buildings for their corporate offices as a reflection of their company's own commitment to ESG standards and to control costs. For new office developments or major renovations, environmental quality is a major element in determining the attractiveness of the property to prospective tenants, the rents that can be charged and ultimately the economic value of the property and its sustainability.

OPPORTUNITY SCREENING AND DUE DILIGENCE

When assessing potential investment opportunities, our Real Estate Investments Team follows a formal ESG due diligence procedure that integrates consideration of ESG factors into the investment process. This process includes an assessment of the importance placed by the asset owner or manager on operating efficiencies, including energy consumption, greenhouse gas emissions, water use and waste generation. While the particular factors examined are tailored to the specific opportunity, we examine ESG factors across five broad categories (see chart on assessing ESG in potential real estate investments).

MONITORING

Working with CPPIB's real estate partners, our Real Estate Investments Team assesses ESG factors and operating efficiencies on an ongoing basis to maintain and enhance the competitive position, value and marketability of our property investments. Once CPPIB acquires a real estate asset, our Real Estate Investments Team puts in place annual ESG monitoring tools to enhance communications with our investment partners on ESG factors. The annual monitoring process involves requesting our operating partners disclose any significant ESG issues or events, to provide updates on the latest regulatory changes and corporate initiatives with respect to environmental and social matters, and to report on new environmental certification and operating efficiency targets achieved on our invested properties over the past year.

ASSESSING ESG IN POTENTIAL REAL ESTATE INVESTMENTS

1. **Partner's Approach:** Determine our prospective partner's approach to sustainable investing principles and ESG practices.
2. **Regulatory Compliance:** Ensure environmental regulatory compliance and, where necessary, quantify remediation costs into capital requirements.
3. **Sustainability Features:** Assess the quality and level of green building design and incorporate these into our assessment of the attractiveness of the asset.
4. **Operational Efficiencies:** Identify and factor in operational efficiencies, often environment-related, and to the extent applicable, incorporate these aspects within our valuation.
5. **Social Impacts:** When applicable, assess social impacts and issues to ensure they are part of the decision process.

NEW ESG MONITORING QUESTIONS

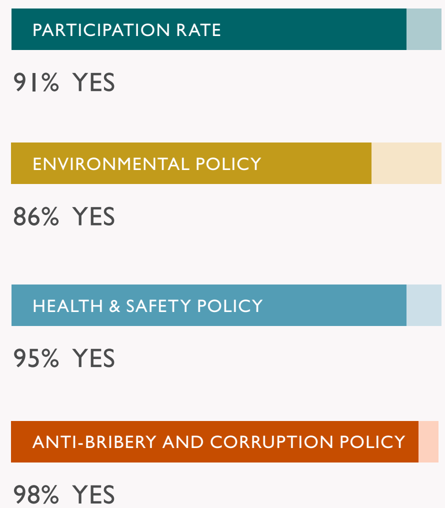
To deepen our understanding of our partners' sustainability operations and near-term objectives, we began to track our existing partners' participation in the Global Real Estate Sustainability Benchmark (GRESB) and the CDP – formerly known as the Carbon Disclosure Project – as new areas of focus. We received a GRESB participation rate of more than 70%, demonstrating a strong awareness towards sustainability from our partners. Over the past year, we have seen an improvement in awareness of ESG factors among our partners. Almost all indicated that they have environmental sustainability policies or initiatives in place at their companies. An almost equal number indicated they have policies in place for anti-bribery and corruption and frameworks to monitor worker health and safety requirements.

INCREASED FOCUS ON HEALTH & SAFETY AND ANTI-BRIBERY & CORRUPTION

Last year we increased our focus on how health and safety and anti-bribery and corruption risks are managed within the portfolio. We engaged advisors to assist us in developing a partner oversight program in these areas with a focus on our development projects in the emerging markets, particularly Brazil, India and China. Work on the program is ongoing with a pilot project already completed on one of our developments in China. During 2017, a more formal program is expected to be developed for the investment partners in our target group.

ANNUAL REAL ESTATE SURVEY RESULTS

Percentage of survey respondents with sustainability-related policies



Number of Green Building Certifications

196

Number of Countries

15

Oxford Properties: An environmentally friendly partnership

In North America, the Leadership in Energy and Environmental Design (LEED) certification program and Canada Green Building Council encourage sustainable building and development practices through standards and performance criteria. Like CPPIB, our partners in real estate acquisition and management take LEED or equivalent ratings into account in building and operating their property portfolios. While with newer buildings adherence to high LEED or other standards is taken into account pre-construction, CPPIB also examines the ability to enhance the performance of existing buildings through upgrades.

Oxford Properties is an industry-leader in sustainable management and has been awarded first place in Sustainability Performance in the North American Office and Retail category by the Global Real Estate Sustainability Benchmark (GRESB) for the past four years (since 2013), demonstrating their commitment to the environment. During the year, we scaled-up our partnership with Oxford Properties by acquiring a 50% interest in a portfolio of office properties in Canada. All of the stabilized properties in the portfolio, representing 3.1 million sq.ft., achieved at least a LEED Gold certification from the Canada Green Building Council. The newest building, Toronto's EY Tower, was completed in May 2017 and will achieve LEED Platinum.

Furthermore, our co-owned properties at RBC WaterPark Place and 111 Richmond Street West were winners of BOMA Toronto Awards of Excellence. The team from RBC WaterPark Place won the prestigious Earth Award for buildings in the 500,000 sq.ft. to 1 million sq.ft. category. The Earth Award recognizes buildings and their management teams for excellence in environmental management and performance. RBC WaterPark Place was awarded the highest score in this category not only in Toronto, but in all of Canada this year. The Earth Award is a wonderful testament to the efforts of the teams and Oxford's industry leading Sustainable Intelligence program.

The Eau Claire tower in Calgary, owned by Oxford Properties, attained LEED® Gold certification.

Investment Partnerships

The evaluation of ESG risks is an integral part of the Investment Partnerships department's due diligence and investment monitoring processes. We tailor our approach to each investment as the circumstances and issues differ by investment structure, company, industry, geography and strategy. We evaluate how fund managers both reduce risk and improve performance in the companies in which the fund invests, which includes evaluating fund managers' approaches to ESG issues.

FUNDS, SECONDARIES & CO-INVESTMENTS

The Funds, Secondaries & Co-Investments (FSC) team commits capital to top-tier managers of private equity funds around the world who generally share our belief in the importance of good management of ESG factors to enhance long-term value.

One element of FSC's approach is a structured ESG questionnaire used with private equity fund managers ("General Partners" or "GPs") to help evaluate a GP's approach to ESG factors, including how the firm integrates ESG into due diligence, monitoring and reporting and resources committed to such activities.

Opportunity Screening And Due Diligence

GPs are required to complete FSC's ESG questionnaire as part of our due diligence process. FSC uses the responses to inform and, in the case that questions or concerns emerge, drive an active dialogue with the GP. The FSC team incorporates findings from the questionnaire and due diligence meetings into the investment recommendation.

Monitoring and Enhancing Outcomes as an Engaged Investor

GPs with established ESG practices provide updates and report to LP Advisory Boards on a semi-annual basis. GPs are also transparent and responsive to any investor inquiries into ESG practices that may arise on an ad hoc basis. To the extent there is a material ESG matter impacting our investment thesis in a GP, it would be reported in our quarterly monitoring process.

THEMATIC INVESTING

The Thematic Investing (TI) team focuses on investing in companies that are exposed to structural growth which typically occurs over a long time horizon, often exceeding 10 years. Given the period over which these changes occur, it is important that the companies that TI invests in are sustainable over the long term. An important part of TI's process is assessing ESG factors in considering a company's long-term sustainability which will ultimately contribute to its ability to provide exposure to structural growth.

EXTERNAL PORTFOLIO MANAGEMENT

The External Portfolio Management (EPM) team creates value through the engagement of external managers whose distinct strategies and expertise in public markets are accretive and complementary to the overall CPPIB portfolio. As an asset owner, CPPIB has a responsibility to ensure that the external managers we retain exercise ownership rights consistent with our own approach to stewardship. For this reason, EPM deal teams are required to consider ESG matters and stewardship activities in the course of due diligence for all investment opportunities. Prospective managers are asked how they monitor and engage portfolio companies regarding concerns with long-term performance or ESG risks, as well as about their approach to assessing and integrating ESG factors into investment decisions, including any relevant processes and policies.

After CPPIB has made a commitment to a manager, we continue to monitor the manager's stewardship activities and ESG practices, including regular communication to identify how its ESG practices may be evolving. This information is then incorporated into EPM's ongoing monitoring processes as appropriate.

CPPIB IS A MEMBER OF THE HEDGE FUND STANDARDS BOARD

Poul Winslow, CPPIB's Head of Thematic Investing & External Portfolio Management became a director of the Hedge Fund Standards Board (HFSB) in September 2015 and CPPIB joined as a member of the HFSB Investor Chapter in November 2015. The HFSB is a standard setting body for the hedge fund industry and custodian of the Hedge Fund Standards. The HFSB creates a framework of transparency, integrity and good governance for the industry and facilitates investor due diligence. CPPIB continues to work with the Hedge Fund Standards Board on improving transparency and governance for the hedge fund industry.

EVALUATING POTENTIAL GENERAL PARTNERS

Aligned Approach

How do the GP's ESG policies, processes and approach compare to CPPIB's?

Due Diligence Integration

What ESG due diligence does the GP conduct during the investment review process for potential new investments?

Resources

What resources does the GP commit to ESG considerations?

Monitoring and Reporting

What ongoing monitoring and reporting of ESG factors and risks does the GP implement throughout its ownership of portfolio companies in the Fund?

Apollo Global Management: An ESG partnership

When making decisions on investment partnerships, CPPIB reviews our prospective partners' ESG practices. We seek to partner with organizations that effectively integrate sustainable investing into their investment decisions while building ongoing relationships with their portfolio companies to ensure that ESG matters are factored into decision-making.

One example of ESG activities in private equity is Apollo Global Management, a global alternative asset manager that is one of CPPIB's largest private equity fund partners. CPPIB has been partners with Apollo since 2002 and FSC has built a meaningful partnership with the firm, committing $2.8 billion to Apollo's four most recent Private Equity funds (Fund VI, VII, VIII and IX) to become one of the firm's largest investors. Key features of Apollo's ESG practices include:

- A Responsible Investment (RI) program designed to consider how ESG issues impact the firm, the portfolio company investments and the surrounding communities. ESG is incorporated into the entire investment life cycle including during diligence, monitoring and ongoing engagement and through communication with LPs.
- Responsible Investing diligence checklists and memos are completed when evaluating potential investments to address specific ESG risks and opportunities, including environmental impacts, labour, compliance policies and community relations. If a risk is identified that cannot be eliminated or mitigated, Apollo may pass on the deal.
- Apollo will assess ESG progress and monitor issues by maintaining continuous dialogue, conducting site visits, hosting conferences and webinars to share best practices and by requiring portfolio companies to submit an annual report on ESG.
- The effectiveness and impact of ESG initiatives is measured using the Impact Measurement Initiative that requires portfolio companies to report on quantitative ESG metrics (e.g., transportation fuel, emissions, employee safety, voluntary turnover, code of conduct etc.).
- Apollo also incorporates ESG into overall firm management. A group of employees, located in offices worldwide, launched a "Go Green Initiative" which is aimed at reducing Apollo's environmental impact.

COLLABORATION

OUR APPROACH:

Making an Impact through Collaboration

LIKE-MINDED PARTNERS GOVERNANCE PRACTIC
OUTSIDE OF PLAN AWARDS CONFERENCES
BEST PRACTICES TRANSPARENCY KNOWLEDGE

COLLABORATION

CPPIB has a strong belief in the power of collaboration. Working together to improve environmental, social and governance-related practices and advocating for long-term minded policies and approaches reduces risks and promotes value-building growth for all investors. Many voices are stronger than one and we frequently join with like-minded organizations on initiatives that we believe will make a difference over the long term.

How do we choose and work with our **collaboration** partners?

We collaborate with organizations that seek improvements in transparency and standards on ESG, conduct research and participate in ESG-related regulation consultations and advocacy. We join and actively contribute to initiatives that focus on specific subject matters, such as governance practices, and others that advocate for broader factors, such as fostering long-term thinking in the investment and corporate worlds.

All of these efforts further our ability as an investor to enhance the long-term performance of the CPP Fund.

Caption: Members of the Task Force on Climate-related Financial Disclosures. As part of CPPIB's collaboration work, our Head of Sustainable Investing is a member of the Task Force.

2017 COLLABORATION PARTNERS

Founding Members

CPPIB's Chairperson is a founding member of the 30% Club (Canada) and our President & CEO joined upon assuming his role in 2016.

Group of business leaders committed to improving gender balance at all levels of organizations through voluntary actions.

Member

Independent, non-profit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.

Member

CPPIB's Head of Sustainable Investing is a member of the Public Policy Committee.

Organization promoting good governance in Canadian public companies.

Investor Signatory

Non-profit organization acting on behalf of over 800 institutional investors globally, encouraging companies to measure, disclose, manage and share climate change information. CPPIB also supports the CDP's Water program.

Associate Member

A member of CPPIB's Sustainable Investing group is a member of the Corporate Governance Advisory Council.

Non-profit association of pension funds, other employee benefit funds, endowments and foundations promoting good corporate governance and shareowner rights.

Supporting Investor

Multi-stakeholder organization which includes more than 95 institutional investors, promoting revenue transparency and accountability in the oil & gas and mining sectors.

Co-Founder

CPPIB's President & CEO is a member of FCLTGlobal's Board and Chairs its Finance and Audit Committee.

FCLTGlobal is a not-for-profit organization dedicated to developing practical tools and approaches that encourage long-term behaviours in business and investment decision-making.

HERMES INVESTMENT MANAGEMENT

Member

CPPIB's Head of Sustainable Investing is a member of the Hermes Equity Ownership Services Advisory Board.

Organization providing collaborative engagement services globally.

ICGN

Member

Global organization aiming to raise standards of corporate governance worldwide. Membership includes 600 leaders in corporate governance from 50 countries.

OECD

LTI Project Partner Member

International organization helping governments tackle the economic, social and governance challenges of a globalized economy. CPPIB has been a Partner of the OECD's Institutional Investors and Long-Term Investment (LTI) Project (Phase 1) and is a Member of the Network on Institutional Investors and Long-Term Investment, which aim to facilitate long-term investment by institutional investors.

PIAC

Member

A member of CPPIB's Sustainable Investing group is a member of the Corporate Governance Committee.

Group of Canadian pension funds aiming to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

Signatory of:

PRI Principles for Responsible Investment

Founding Signatory

International network of the world's largest institutional investors working together to put its six Principles for Responsible Investment into practice.

TCFD

Member

CPPIB's Head of Sustainable Investing is a member of the Task Force.

Task Force established by the Financial Stability Board to develop voluntary, consistent climate-related financial disclosures by companies so as to provide decision-useful information to investors, lenders, insurers and other stakeholders.

World Economic Forum

Industry Partner

Independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas. Incorporated as a not-for-profit foundation, the Forum is tied to no political, partisan or national interest.

2017 REPORT ON ACTIVITIES

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In May 2016, Stephanie Leaist, CPPIB's Head of Sustainable Investing, joined the Task Force on Climate-related Financial Disclosures ("Task Force").

The Task Force has 32 international members from the private sector, including capital providers, insurers, large global companies from a range of financial and non-financial sectors, accounting and consulting firms and credit rating agencies. The Task Force is chaired by Michael Bloomberg. The FSB established the Task Force to develop voluntary recommendations for more efficient and effective climate-related financial disclosures so as to promote more informed investment, credit and insurance underwriting decisions. This mandate is well aligned with CPPIB's longstanding engagement work with companies related to climate change. The Task Force released its initial report and recommendations for public consultation in December 2016 and issued its final report and recommendations to the FSB in June 2017. These recommendations are structured around four thematic areas: governance, strategy, risk management and metrics and targets. More than 100 firms, with market capitalizations of over US$3.3 trillion and financial firms responsible for assets of more than US$24 trillion joined in a statement of support for the Task Force report and recommendations urging adoption by companies. The work of the Task Force will continue into 2018 and consider approaches to encourage organizations in the financial and non-financial sectors to adopt and implement the Task Force's recommendations. More information can be found at www.fsb-tcfd.org.

Task Force created to increase climate-related disclosure

The Financial Stability Board is an international body that was created in the wake of the Global Financial Crisis to monitor the stability of the financial system. It is currently chaired by Bank of England Governor Mark Carney and is affiliated with the G20. The Task Force was established in December 2015 by the Financial Stability Board, which stated that "appropriate disclosure is a prerequisite for both the private sector and authorities to understand and measure the potential effects on the financial sector of climate change, as markets evolve and as the wider economy transitions towards a low-carbon economy." The Financial Stability Board believes that more effective disclosures about climate change will help to reduce financial stability risks by avoiding an abrupt re-pricing of asset values as the impacts of climate change becomes clearer.

What did the Task Force develop?

"The Task Force's recommendations have been developed by the market for the market. They set out the disclosures that a wide range of users and preparers of financial filings have said are essential to understanding a company's climate-related risks and opportunities. Widespread adoption will provide investors, banks and insurers with that information, helping minimize the risk that market adjustments to climate change will be incomplete, late and potentially destabilizing."

– FSB Chair and Bank of England Governor Mark Carney

PROMOTING GOVERNANCE BEST PRACTICES IN ASIA

Since 2013, CPPIB has been a member of the Asian Corporate Governance Association (ACGA), an independent organization dedicated to implementing effective corporate governance practices throughout Asia. Membership in the ACGA provides us with access to expertise on local governance matters, leading to better informed proxy voting decisions and an established platform for engagement in the region.

CPPIB participates in bi-monthly ACGA Investor Discussion Group calls which provide a forum for global investors to raise emerging governance matters and solicit support for collaborative engagement initiatives. In addition, the calls provide an opportunity for members to provide input on ACGA's advocacy work.

Advocacy with financial regulators, stock exchanges and other standard setting bodies is a key element of the ACGA's scope of work. During the year, the ACGA submitted a number of comment letters on behalf of members, including CPPIB, to promote best practices in corporate governance and shareholder stewardship.

Financial Services Agency consultation on the revised Japan Stewardship Code (May 7, 2017). Broadly supported the updates to the Japan Stewardship Code and provided suggestions for improving guidance on managing conflicts of interests and collective engagement.

This year, a member of the Sustainable Investing group attended ACGA's annual conference in Tokyo and participated in a delegation to meet with companies, regulators and domestic institutional investors to discuss corporate governance issues. Attending such events furthers our understanding of governance issues specific to Japan, signifies our commitment to improving governance in an important market for CPPIB and provides a valuable opportunity to cultivate relationships with partners in the region.

CPPIB's Sustainable Investing group used research from the ACGA to inform voting decisions related to board committee structures for state owned enterprises in China.

Singapore Exchange Consultation Paper on Possible Listing Framework for Dual Class Share Structures (April 11, 2017). Opposed the introduction of dual-class shares in Singapore given its potential negative impact on the stock market and the region.

Global Asset Owners' Forum in Japan

In 2016, CPPIB joined the Japanese Government Pension Investment Fund's newly established Global Asset Owners' Forum (the Forum) consisting of around 20 large global asset owners. The goal of the Forum is to foster the exchange of knowledge and views on ESG integration and investor stewardship among global asset owners.

Members of our Sustainable Investing, Public Affairs and Communication and Active Fundamental Equities teams attended the Forum's inaugural meeting in Tokyo. The meeting allowed CPPIB and other global public pension funds to exchange ideas and opinions on ESG issues, including best practices in aligning asset owners' interests with those of asset managers.

CANADIAN COALITION FOR GOOD GOVERNANCE

CPPIB's Head of Sustainable Investing serves on the Public Policy Committee (PPC) of the Canadian Coalition for Good Governance (CCGG). The PPC plays a key role in developing policy positions on various corporate governance issues and making submissions to regulators and standard-setting organizations.

CPPIB worked through the PPC to develop comments on several regulatory proposals and guidelines which have resulted in the adoption of best practices in the market. Examples of our submissions on regulatory matters in Canada include:

- Submission to the Ministry of Government and Consumer Services regarding the Business Law Advisory Council Report to the Ontario Minister of Government and Consumer Services (December 9, 2016) recommending that fundamental shareholder rights, including majority voting, be enshrined in corporate law.
- Submission to the Alberta Securities Commission (ASC) regarding gender diversity and term limits (September 21, 2016). Provided comments in support of the ASC's proposal to align disclosure requirements in Alberta with those of the nine other jurisdictions in Canada that have adopted requirements regarding the representation of women on boards of directors and executive officer positions, as well as mechanisms of board renewal.

NEW CCGG POLICIES INTRODUCED IN 2016–2017

CCGG's Stewardship Principles help institutional investors fulfil their ownership responsibilities to their beneficiaries or clients and enhance the value of their investments.

The CCGG conducted 44 board engagement meetings with Canadian issuers during the review period, representing 21% of the total market capitalization of the S&P/TSX Composite Index. The board engagements generally focused on companies with a market capitalization of less than $5 billion across a diverse range of industries. The scope of dialogue included discussions on governance policies, executive compensation, risk management, strategy setting and succession planning.

Examples of Engagement Success

As a result of engagement with the CCGG, several companies improved their disclosure and executive compensation practices. Examples include:

- Enhancing disclosure of the board's role in oversight of risks facing the company's business and strategy development;
- Enhancing disclosure of the board's role in executive succession planning;
- Adopting an incentive compensation clawback policy and an anti-hedging policy;
- Extending share ownership guidelines beyond the CEO to cover other named executive officers; and
- Using longer time horizons to assess performance under compensation plans.

ADVOCATING FOR GENDER DIVERSITY IN THE BOARDROOM

CPPIB's Chair, Heather Munroe-Blum, is a founding member of the 30% Club (Canada) and Mark Machin joined upon becoming President & CEO in 2016. The 30% Club is a group of business leaders committed to achieving better gender balance on corporate boards and at the executive management level. The 30% Club works to bring about change through a number of targeted initiatives that include encouraging and supporting boards to appoint more women, providing information and help for businesses trying to improve their diversity, and keeping the spotlight on the issue through media channels and educational programs. The driving premise of the 30% Club is that gender diversity is about business performance, rather than being a women's issue. It addresses gender diversity from the perspective of building long-term value in companies. Despite its name, the 30% Club does not believe mandatory quotas are the right approach. Instead, it aims for meaningful, sustainable change in the representation of women.

The 30% Club launched in the U.K. in 2010 and has since become an international business initiative with chapters in Australia, Canada, Hong Kong, Ireland, South Africa and the United States, among other countries.

CPPIB is also a member of the 30% Club's Canadian Investor Group, which works to coordinate the investment community's approach to gender diversity. CPPIB hosted an Investor Group meeting at our offices in 2017.

See page 25 for more details on CPPIB's activities and efforts related to gender diversity.

ACTIVE INVOLVEMENT IN THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

In 2005, the United Nations Secretary-General invited CPPIB, along with a small group of the world's largest institutional investors, to address the issue of responsible investing from a global and fiduciary perspective. In collaboration with experts from the investment industry, civil society and academia, among others, we helped formulate the Principles for Responsible Investment (PRI), which are supported by the United Nations. Today, the PRI has grown to include over 1,700 signatories worldwide, representing more than US$62 trillion in assets under management.

CPPIB has contributed to the PRI in several ways over the years:

1) Serving on the Board: Eric Wetlaufer, CPPIB's Senior Managing Director & Global Head of Public Market Investments, served on the PRI Board from December 2012 to December 2015 and contributed to the PRI 2015–2018 Strategic Plan, which focused on evolving the organization from awareness to impact and extending the PRI's collective influence.

2) Actively participating in several PRI-facilitated collaborative engagements: We have been a member of the Advisory Committee of the PRI's collaborative engagement on Human Rights in the extractive sectors since 2014 (see page 21 for further details). We also joined the Advisory Committee for the PRI's collaborative engagement on methane risks in the oil & gas and utilities sectors in February 2017 (see page 17 for further details).

A member of the Sustainable Investing group participated in a trip to Indonesia and Singapore for members of the PRI's collaborative engagement on sustainable palm oil. The collaborative engagement focuses on promoting greater transparency, sustainability and traceability in palm oil production.

3) Implementing the PRI's six principles for responsible investing: The PRI's asset owner and investment manager signatories are accountable for implementing the six principles (see below) and utilizing the PRI Reporting Framework to describe their activities. In addition to CPPIB's annual Report on Sustainable Investing, we provide information on our sustainable investing activities once a year through the PRI Reporting Framework, which is publicly available on the PRI's website (see www.unpri.org).

CPPIB IS GUIDED BY THE PRI'S SIX PRINCIPLES FOR RESPONSIBLE INVESTING

1. We incorporate ESG factors into investment analysis and decision-making processes.
2. We are active owners and incorporate ESG factors into ownership policies and practices.
3. We seek appropriate disclosure on ESG factors by the entities in which we invest.
4. We promote acceptance and implementation of the Principles with the investment industry.
5. We work collaboratively to enhance our effectiveness in implementing the Principles.
6. We report on our activities and progress towards implementing the Principles.

OUTSIDE OF PLAN AWARDS REPORT

In advance of the 2016 proxy voting season, CPPIB and Ontario Teachers' Pension Plan (OTPP) identified "outside of plan awards" as an emerging executive compensation practice of potential concern and collaboratively analyzed such awards granted to executives by U.S. and Canadian companies. As a result of this collaboration, last year we released a joint report titled "Outside of Plan Awards in 2015". (see www.cppib.com/OOPA2015)

We released a follow-up report titled "Is the Extraordinary Becoming Ordinary? 2016 Report on Outside of Plan Awards" (see www.cppib.com/OOPA2016), which summarizes our findings for 2016 and compares them with those from 2015 to provide our observations on year-over-year trends. The report found that outside of plan awards continue to represent a significant portion of compensation for executives at public companies in the U.S. and Canada, suggesting that these extraordinary awards may be turning into a widespread and common component of executive pay.

In 2015 and 2016 alone, a total of US$9.3 billion in outside of plan awards were granted in the U.S. and Canada.

The 2015 and 2016 reports have gained positive attention and are raising awareness of the practice of issuing outside of plan awards among companies, shareholder groups, media sources, academics and corporate advisors.

CPPIB has taken action by updating our *Proxy Voting Principles and Guidelines* in 2016 to make outside of plan awards an explicit consideration when voting on Say on Pay proposals. Outside of plan awards were a significant factor in at least 17% of the Say on Pay proposals we opposed during the 2017 proxy season (compared to at least 7% during the 2016 proxy season). Going forward, we will factor the use of these awards into our voting decisions.

We will continue to track and study outside of plan awards. In 2017, we will also be undertaking targeted engagement with boards that have repeatedly granted outside of plan awards without a cogent explanation. We will be looking to understand the board's rationale for the repeated granting of awards that we believe should be reserved for exceptional circumstances, as well as how the structure and quantum were determined.

What do we mean by Outside of Plan?

The term outside of plan awards describes compensation granted to executives that is not part of a company's pre-established compensation scheme applicable during the normal course of the executive's employment. Examples of these awards include payments granted for the purposes of retention, severance, sign-on and the successful completion of a transaction. By their nature, outside of plan awards represent extra compensation paid to executives.

Outside of Plan Awards

UNITED STATES

US $4.8 BILLION in outside of plan awards in the U.S. in 2016

13%

Outside of plan awards represented 13% of total direct compensation in 2016

Increase of US $493 MILLION

11% year-over-year

US$9.1 BILLION

granted in outside of plan awards in the U.S. over the last two years

1/2

Becoming a habit
repeat users of outside of plan awards represent over half of total awards in the U.S. (US$2.5 billion)

1/4

20 Companies
granted almost one quarter of all outside of a plan awards in 2016

CONSUMER DISCRETIONARY

INFORMATION TECHNOLOGY

HEALTHCARE

continue to dominate the use of outside of plan awards

Executive succession continues to dominate

US $2.0 BILLION

paid in sign-on and severance in the U.S. in 2016

REPEAT USERS

US $4.6 BILLION

granted as outside of plan awards in 2015 and 2016 by repeat users

610 U.S.

companies granted outside of plan awards in both 2015 and 2016

622 U.S.

executive received outside of plan awards in both 2015 and 2016

CANADA

CA $171 MILLION

in outside of plan awards in 2016

48%

YEAR-OVER-YEAR INCREASE

73%

increase in the number of companies granting outside of plan awards in 2016

Conferences

Our professionals actively participate in, speak at and moderate ESG focused events globally to share knowledge and engage in dialogue with other investors, companies and stakeholders. In the past year, CPPIB had significant roles at the following events:

Chartered Professional Accountants of Canada

July 2016 | Toronto, Canada

- *A 1,000+ person event focused on providing information to the Toronto business community on the activities of the Task Force on Climate-related Financial Disclosures*
    - Participated on a panel hosted by Mark Carney, FSB Chair and Bank of England Governor, providing background on the Task Force
    - Participated in a breakout session with Canada's Minister of the Environment and Climate Change to provide greater detail on the Task Force

Responsible Investors Americas

December 2016 | New York City, USA

- *Annual conference that serves as the platform for debate on the most critical environmental, social and governance (ESG) issues facing investors in the U.S., Canada and Latin America. Theme for 2016 was "Long-term Value Creation"*
    - Participated in a keynote interview on "Task Force on Climate-Related Financial Disclosures, the G20 and the future of corporate and investor financial accounting"
    - Spoke on a panel titled "The authentic investor: values, leadership and culture in investment institutions"

GLOBE Capital

April 2017 | Toronto, Canada

- *Event focused on how companies and governments might access the vast pools of capital needed to spur equitable and diversified growth*
    - Gave introductory remarks reflecting the Task Force's work before panel on "Dilemmas and Discourse: Impacts of Implementing the Financial Stability Board's Recommendations"

Task Force on Climate-related Financial Disclosures ("Task Force")

Plenary Meetings, Various dates | Various venues in North America and Europe

- *Meeting of the members of the Task Force to develop recommendations to improve climate-related financial disclosures. CPPIB is one of only two asset representatives on the 32-member Task Force*
    - Participated in several plenary meetings to discuss and develop the Task Force recommendations, which included a substantive consultative process. FSB Chair (and Bank of England Governor) Mark Carney presented the Task Force's final recommendations to leaders at the G20 summit in Hamburg, Germany in early July 2017. A statement of support from CEOs of over 100 global organizations from across sectors accompanied the recommendations, including support from CPPIB

PRIORITIES FOR COMING YEAR

In 2018, we will continue to focus on the priorities that we set out in 2017:

Continue to advance work across CPPIB investment teams to enhance review of climate change-related investment risks and opportunities

- Through CPPIB's cross-departmental Climate Change Working Group (CCWG), we will continue to review and focus our investment and asset management practices with respect to climate change risks and opportunities. The CCWG is a collaborative hub, with representatives from each investment department, Investment Risk, Total Portfolio Management and Public Affairs and Communications, and many other individuals across CPPIB contributing to the CCWG on an ad hoc basis

Deepen ESG integration, working collaboratively with investment teams across CPPIB investment departments

- The Sustainable Investing group will continue to provide domain expertise on ESG matters to enable integration of ESG considerations into investment decisions across CPPIB. We will continue to fulfill our responsibilities as an active owner by reviewing our ESG practices with our investment managers, consistent with global stewardship expectations on asset owners

Continue to actively contribute to the Task Force on Climate-related Financial Disclosures with a focus on encouraging adoption of its voluntary recommendations for climate-related financial disclosures

- The report and recommendations of the Task Force present a set of comprehensive recommendations for financial disclosure on climate change-related risks and opportunities across all sectors in mainstream public financial filings
- We will consider the best approach to align our activities with these recommendations, as appropriate
- Mark Carney, the FSB Chair and Bank of England Governor, presented the final recommendations to leaders at the G20 summit in Hamburg, Germany in early July 2017. CPPIB's President & CEO Mark Machin, along with over 100 other leaders, representing numerous industries globally endorsed these recommendations through a joint public statement

Build on global engagement activities across our focus areas, through collaborative and other means

- Through our involvement in numerous organizations (see pages 47-48) we will continue to build on our global engagement activities and augment our ESG related engagements globally
- We will continue to collaborate with investors, either through formal collaborative platforms or on an ad hoc basis, on specific issues related to human rights, climate change, governance and other important ESG topics

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