

## CPP Investments Publishes 2022 Report on Sustainable Investing

- *Reinforces our approach that factors relating to communities, environment and stewardship, including climate change, are increasingly impacting the strategic, operational and financial profile of companies around the world*
- *Reaffirms our Net-Zero 2050 commitment; on track to achieve carbon neutrality for our internal operations by the end of fiscal 2023*
- *Reports on how our engagement has contributed to material commitments and improvements on governance and climate-related disclosures and practices at public companies globally*

**Toronto, Canada (September 28 2022)** – Canada Pension Plan Investment Board (CPP Investments) has published its *2022 Report on Sustainable Investing*, which focuses on how we achieve clear objectives set out in our legislation against the backdrop of escalating climate risk, and opportunities presented by the whole economy transition towards sustainability.

“Our sustainable investing approach helps to protect the retirement savings of the nation’s workforce,” said John Graham, President & CEO, CPP Investments. “We continue to manage the dynamic and emerging material business risks and opportunities to maximize the value of the CPP Fund for the long term.”

In our 2022 Report, we focus on three key areas: sustainability-related considerations in the investment life cycle, our net-zero commitment and how our active ownership delivers results.

“For public companies in our portfolio, we articulate clearly how integration of sustainability-related factors should inform strategy and enhance returns or reduce risks in the business,” said Richard Manley, Managing Director, Head of Sustainable Investing, CPP Investments. “As a global investor, we proactively identify dynamic and emerging material business risks and opportunities and seek solutions to reduce or capture their potential within portfolio companies and align incentives.”

### *Sustainability-related Considerations in the Investment Life Cycle*

Sustainability-related factors, including climate change, are increasingly and more directly impacting the strategic, operational and financial profile of companies around the world. The investment and asset management teams at CPP Investments integrate material sustainability-related factors both before making investments and during the period we hold the asset, as well as when our portfolio companies prepare for listing.

Since these considerations can significantly affect our assessment of a company’s risk profile and value, they are critical in determining the attractiveness of a potential investment and how we can best manage an asset once acquired. On an ongoing basis, we seek to assess, understand and address the wider factors affecting business performance – whether those are factors relating to society, environment or stewardship.

### *Net-Zero Commitment*

In February 2022, we committed our portfolio and operations to being net zero of greenhouse gas (GHG) emissions across all scopes by 2050. Our [Climate Change Principles](#) continue to guide our decision-making so we can achieve important goals governments bestowed on us against the backdrop

of escalating climate risk and opportunities by supporting the transition of the whole economy towards a net zero future.

We expect to achieve carbon neutrality for our internal operations by the end of fiscal 2023. We are conducting an [Abatement Capacity Assessment](#) on our own operations to help inform our approach to reducing absolute GHG emissions over time. We have also begun the process to procure high-quality, additional, verifiable and permanent carbon credits, as needed, to offset our operational emissions and achieve carbon neutrality. We will continue to monitor the breadth, quality and reliability of emissions data as this space continues to rapidly evolve.

Our diversified investment strategy affords the us flexibility to invest in all types of climate change opportunities across all asset classes. Our patient, productive and engaged capital is necessary to enable hard to abate sectors of the economy to transition. We will continue to invest in companies across all industries that are driving and demonstrating carbon-reduction innovations and practices that we believe will lead to enhanced risk-adjusted returns. Investment opportunities in the whole economy transition include, but are not limited to, energy systems, built space, industry, mobility, carbon markets and investments based on changing consumer preferences.

#### *Active Ownership Delivers Results*

We seek to fulfil our stewardship responsibilities as an active owner, and we convey our views to boards of directors and management of public companies at annual and special meetings of shareholders.

During the period covered by the report:

- We voted on over **41,000** agenda items across over **3,800** meetings;
- We voted against management in approximately **12%** of cases;
- Specifically on climate change, we voted against **65** directors at **35** companies where we concluded the board failed to demonstrate adequate consideration of physical and transition-related impacts from climate change; and
- Through direct engagement, we helped secure material commitments and improvements on climate-related disclosures and practices at **35** companies and voted for climate-related shareholder proposals that sought deeper disclosures on topics such as operational emissions management, asset portfolio resilience and public policy.

We added a new voting policy to escalate our concern regarding classified boards at our public portfolio companies. We expect companies with classified boards to clearly set out appropriate sunset provisions that will define when annual director elections will commence, aligned with their transition to having a distributed shareholder base as a seasoned listing, and that governance will converge to best practice within a reasonable timeframe. During the period covered by the report:

- We applied this new policy at **200** shareholder meetings, with **555** votes against directors.
- We supported **100%** of shareholder proposals requesting boards to declassify.

We enhanced our board gender diversity voting practice by expanding the countries where our 30% threshold for female representation applies to include South Africa and New Zealand. We expect to apply a rounded 30% threshold to more countries and markets in the next few years including in emerging markets.

“A company’s owner, board and management each play critical roles in creating sustained long-term value. Their relationships hinge on clear communication and trust,” added Manley. “CPP Investments is an active and engaged owner and is constructive in our partnership with companies on their sustainability and governance journeys. We recognize and respect the different roles that shareholders/owners, boards/directors, and management teams/executives each play in ensuring long-term value creation.”

As investors who take an active and engaged approach to overseeing our private investment portfolio, we target appropriate interventions to drive better returns. This can include improving governance, pricing and costs; environmental or stakeholder management; or employing our decarbonization investment approach.

“Maximizing the long-term value of a business today requires boards and executives to anticipate and manage a highly dynamic environment. This, in turn, requires greater diversity of perspective in the boardroom, an evolved culture of risk management and opportunity identification,” added Graham. “Organizations that do this well will preserve and grow shareholder value over the long term, and investors that seek to identify these companies will be well positioned to achieve superior investment returns.”

A summary of the report can be downloaded [here](#) and the full report can be downloaded [here](#).

### **About CPP Investments**

Canada Pension Plan Investment Board (CPP Investments) is a professional investment management organization that manages the Fund in the best interest of the 21 million contributors and beneficiaries of the Canada Pension Plan. In order to build diversified portfolios of assets, investments are made around the world in public equities, private equities, real estate, infrastructure and fixed income. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney, CPP Investments is governed and managed independently of the Canada Pension Plan and at arm’s length from governments. At June 30, 2022, the Fund totalled C\$523 billion. For more information, please visit [www.cppinvestments.com](http://www.cppinvestments.com) or follow us on [LinkedIn](#), [Facebook](#) or [Twitter](#).

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