Analyzing CPP Investments' global portfolio carbon footprint

Notes on New Climate Disclosure Framework

AUGUST 14, 2026

There is no internationally accepted methodology for determining whether a company is effectively delivering on its transition plan. While a number of established frameworks assess elements of transition governance, none provides a definitive measure of transition performance or future emissions outcomes.

To provide greater transparency into the climate-related characteristics of our portfolio, CPP Investments has developed a framework that classifies portfolio companies according to two observable characteristics: Carbon Intensity and Transition Governance, which refers to whether there is observable evidence of selected transition governance indicators (see detail below). The framework is intended as a high-level portfolio disclosure and should not be interpreted as an assessment of the transition performance or transition risk of any individual company.

The framework is separate from CPP Investments' investment decision-making. Assessment of financially material climate-related risks and opportunities, including transition risk, remains the responsibility of investment teams through established due diligence, asset management and stewardship processes.

The presence of transition governance indicators does not demonstrate that a company is successfully decarbonizing or is aligned with any particular emissions pathway. Similarly, the absence of observable evidence under this framework does not necessarily indicate that a company lacks transition planning or faces elevated transition risk. It may reflect differences in disclosure, third-party coverage, data availability, or the specific governance indicators used in this framework.

I. Methodology

CPP Investments has reported portfolio carbon footprint metrics since 2018. This enhanced reporting provides more visibility into the composition of that footprint at a point-in-time by classifying the value of our portfolio holdings across two dimensions:

1. CARBON INTENSITY

Carbon Intensity refers to a company's Scope 1 and Scope 2 greenhouse gas emissions relative to its total enterprise value. This calculation aligns with the Partnership for Carbon Accounting Financials (PCAF) methodology for the emissions footprint of investments.

- To measure the carbon intensity of an individual company, we calculate the number of *tonnes of carbon dioxide equivalent per $1 million of Enterprise Value Including Cash (EVIC)* – "tCO_2e/$M EVIC"
- The Global Industry Classification Standard (GICS) is used by MSCI and S&P Dow Jones Indices to sort companies into a category based on their main source of income. GICS level 3 sorts public companies into 74 "industries."

- Using the S&P Global LargeMid Cap reference portfolio and the GICS classifications, we grouped index constituents and calculated the weighted average carbon footprint for each industry based on constituent-level carbon footprint data and index weights.
- The top five industries – comprised of Construction Materials, Power Producers, Airlines, Metals & Mining, Marine Transportation – all have a footprint of over 300 tCO_2e/$M EVIC.
- The Transition Pathway Initiative (TPI), an academic research centre at the London School of Economics and Political Science providing academically robust and independent assessments of how companies are transitioning in line with the Paris Agreement, categorizes those top five sectors as "high emitting" and the International Energy Agency (IEA) classifies these sectors as "harder to abate."
- The 22 industries with largest weighted average footprints – many of which have industrial processes that are harder to abate – all have a footprint of over 40 tCO_2e/$M EVIC.

Considering the broad characteristics and footprints of all industry groups, we established a threshold of 40 tCO2e/$M EVIC to capture assets from harder to abate industries and those that have elevated carbon intensity relative to the rest of the portfolio.

A company's position above or below this threshold should not be interpreted as an assessment of material transition risk. Companies at or below the threshold are not necessarily low-emitting or do not necessarily have low transition risk. Companies above the threshold are not definitively high transition risk.

2. TRANSITION GOVERNANCE

Transition Governance refers to whether there is observable evidence ("transition governance indicators") indicating that a company has taken steps to understand and prepare for transition-related risks and opportunities. For our framework, we have chosen to determine whether there is evidence of a company's alignment with at least one of three indicators of transition-related governance:

- **Science Based Targets initiative (SBTi) approved targets:** The company has an approved short-term, or long-term plus short-term science-based target under the SBTi, verified against the Corporate Net-Zero Standard.
- **Transition Pathway Initiative (TPI) Level 4 or 5:** The company has been independently assessed at Level 4 or 5 on the TPI Management Quality Framework, based on public disclosure. TPI 4 indicates that a company has verified its emissions, scenario-tested abatement plans, and demonstrated board level governance, whereas TPI 5 also includes emissions reduction targets and costed/funded plans to reach them.
- **Participation in CPP Investments' Decarbonization Investment Approach (DIA):** The company has completed an Abatement Capacity Assessment through the DIA program – CPP Investment's internally developed process. This assessment establishes an emissions

baseline across Scope 1, 2 and (where available) Scope 3 and evidences that the elements have been measured and potential decarbonization levers identified, with findings shared with the company's board. We believe completing a DIA project is a reasonable proxy to TPI 4, as DIA criteria for project completion generally align to the relevant criteria for TPI 4. In addition, TPI coverage is greater for public markets than it is for private. As such, we believe DIA is an appropriate indicator for transition governance in our private portfolio. The Abatement Capacity Assessment was published in 2021 under creative commons and may be used by businesses to identify and prioritize greenhouse gas emission reduction opportunities.

"Evidence Confirmed" status is assigned only if the company satisfies at least one of the above criteria. This classification shows the portion of the portfolio where there is observable evidence of selected practices relevant to transition governance.

"Evidence Unconfirmed" represents holdings that could not be matched against the SBTi, TPI, or DIA listings, holdings that have not yet been assessed due to data limitations, lack of external coverage, inability to match a company to external datasets, or the company has not yet been assessed through DIA.

3. RESULTS OF OUR ANALYSIS

Figure 1. Portfolio Holdings by Carbon Intensity and Evidence of Selected Transition Governance Indicators

Carbon Intensity	Transition Governance: Evidence confirmed (SBTi, TPI4+ and/or DIA aligned)	Transition Governance: Evidence unconfirmed (criteria unmet, unassessed and/or undisclosed)
Above 40 tCO_2e/$M EVIC	A $38.8B (5%)	B $65.6B (8.3%)
Below 40 tCO_2e/$M EVIC	C $232.5B (29.5%)	D $450.5B (57.2%)

Figures as at March 31, 2026.

Source: CPP Investments

Under this methodology, 86.7% of CPP Investments' portfolio at 31 March 2026 was below the 40 tCO2e/EVIC threshold. The framework shows that CPP Investments $787 billion investment portfolio (excluding government issued securities) contains the following as of the end of fiscal 2026:

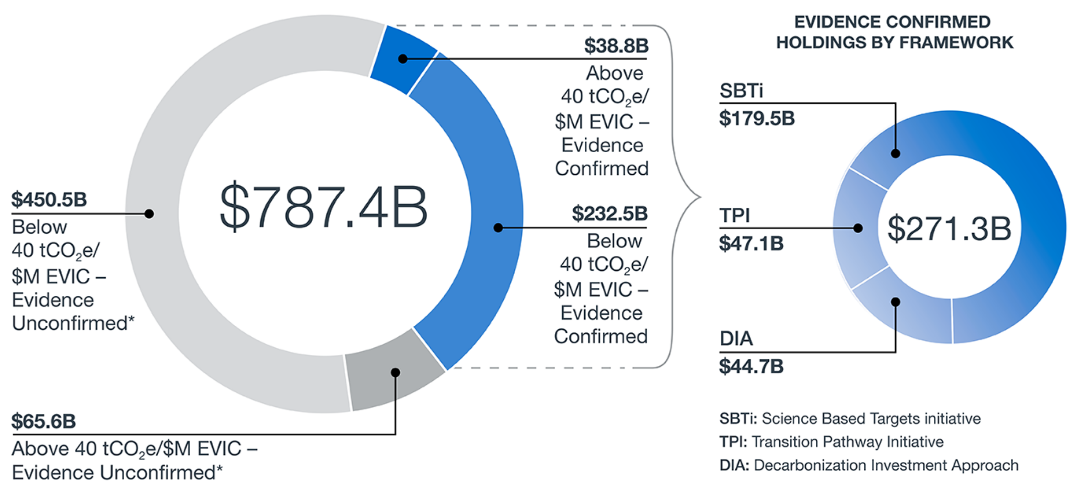
	Analysis of Portfolio[1]	Context
A	$38.8 billion was invested in portfolio companies with carbon intensity above 40 tCO2e/EVIC where there is observable evidence of at least one transition governance indicator (Above 40/Confirmed)	Meeting at least one governance indicator does not mean that an individual company has high transition risk – it merely means that the company has assessed its transition risk under one of the three approaches. During our existing investment process, where we conclude that a company has materially elevated transition risk, we expect directors to demonstrate they are providing appropriate oversight and counsel to manage this risk. Where transition risk is not material, we adjust our expectations accordingly.
B	$65.6 billion was invested in portfolio companies with carbon intensity above 40 tCO2e/EVIC where there is no observable evidence of at least one of the transition governance indicators (Above 40/Unconfirmed)	The absence of alignment with any indicator does not mean the company has high transition risk, it simply means that it is not aligned with one of the three frameworks. The company may have a transition governance plan which has not yet been validated, it may still be undertaking the governance planning, it may not have been assessed under this Framework due to data limitations or has done nothing at all. During our existing investment process, where we conclude that these securities have materially elevated transition risk, we expect directors to demonstrate they are providing appropriate oversight and counsel of executives to manage this risk. Where we have concluded that in the absence of an aligned transition governance plan and the transition risk is not material, we adjust our expectations commensurate with the risk we have diligenced.
C	$232.5 billion was invested in portfolio companies with carbon intensity below 40 tCO2e/EVIC where there is observable evidence of least one transition governance indicator (Below 40/Confirmed)	None of the sectors identified by the IEA and TPI as hard to abate as high emitting sit below 40tCO2e/$1mn of EVIC. In addition, there is evidence the company has demonstrated transition governance as defined.
D	$450.5 billion was invested in portfolio companies with carbon	None of the sectors identified by the IEA and TPI as hard to abate as high emitting sit below

[1] Figures as at March 31, 2026.

Analysis of Portfolio[1]	Context
intensity <40 tCO2e/EVIC where there is no observable evidence of at least one of the transition governance indicators (Below 40/Unconfirmed)	40tCO2e/$1mn of EVIC. Where our existing investment process concludes a company has material transition risk, our expectations of board oversight will be adjusted commensurate with the risk we have diligenced.

Of those investments with evidence confirmed of transition governance, approximately 83.5% were aligned with third party Transition Governance indicators (SBTi and TPI) and 16.5% under CPP Investments' proprietary Decarbonisation Investment Approach.

Figure 2. Evidence-Confirmed Holdings by Specific Transition Governance Indicator



Figures as at March 31, 2026. Government-issued securities, cash, leverage, and funding are excluded.
**Evidence Unconfirmed = did not satisfy at least one of the transition governance indicators or could not be assessed due to data limitations.*

Source: CPP Investments

II. Annual Disclosure

These metrics will be disclosed annually using data as at 31 March, in addition to the portfolio carbon footprint. Carbon intensity can be affected by factors that do not necessarily indicate changes in underlying transition risk, including, but not limited to, market valuation movements affecting

Enterprise Value Including Cash (EVIC), data quality or availability, currency movements, and local market factors such as the carbon intensity of the electricity grid.

III. Engagement with Portfolio Companies

Where material, CPP Investments uses its rights and influence as an owner to encourage stronger climate risk oversight and strategic transition planning. In public markets, this may include engaging directly with boards of directors and exercising voting rights to promote effective governance of climate-related risks and opportunities. In private assets, CPP Investments may work with general partners, boards, and management teams, particularly where it has board representation or other governance rights, to support stronger risk assessment, transition-related planning, and governance practices over time.

Public equity positions and direct private equity positions where we have governance rights are the positions we are best placed to engage. In other asset classes our governance rights and influence are generally lower.

CPP Investments will continue to pursue its investment strategy and invest across sectors and assets that can generate long-term value, while enhancing transparency into how climate-related considerations are reflected across the portfolio.

IV. Our Investment Strategy

CPP Investments invests across the global economy, and we recognize that climate-related risks and opportunities vary significantly by sector, geography, and business model. Across the portfolio, during due diligence and as part of asset management activities, CPP Investments assesses financially material climate-related risks and opportunities and incorporates them into investment decisions.

This additional disclosure does not alter CPP Investments' investment strategy, underwriting approach, stewardship framework, or portfolio construction flexibility but serves to develop and disseminate additional accurate and accessible information.