



CPP
INVESTMENT
BOARD

CPPIB Green Bond Framework

April 2018

Introduction

CPPIB believes 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 in 2008, 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 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.

CPPIB believes that investments in renewable energy, water security, energy-efficient buildings and other long duration assets are a good fit for our long investment horizon.

This Green Bond Framework sets out the guidelines for CPPIB's Green Bond issuance in accordance with the Green Bond Principles (GBP) as set out by the International Capital Markets Association (ICMA):

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

Use of Proceeds

Eligible Investments will include the following:

Renewable Energy

- This includes the acquisition, operation, maintenance and upgrades of wind and solar energy projects
- Efficiency improvements of wind and solar energy projects

Sustainable Water and Wastewater Management

- Acquisition, operation and upgrades of projects that improve efficiency of water distribution and water recycling services
- Investments in tail water recovery systems which collect run-off water from fields that is recycled for agricultural production purposes

Green Buildings

- Includes direct investments into buildings certified as LEED Platinum over the 24 month lookback period and during the life of the bond.

Process for Project Evaluation and Selection

It is CPPIB's view that environmental, social and governance (ESG) factors are fundamental to enhance long-term sustainable returns. ESG considerations form part of the investment decision making process of the investment teams at CPPIB.

The investment teams take ESG considerations into account when making investment decisions. The investment groups will then identify and propose green investments to the Green Bond Committee (GBC). The CPPIB GBC will then review those investments and based on the CPPIB Green Bond Framework will select which investments will be added to the list of Eligible Investments for receiving Green Bond proceeds.

The GBC will be a cross-departmental committee, chaired by a senior member of the Sustainable Investing group and will include senior managers from different teams across the organization.

The list of Eligible Investments will be added to the Green Bond Register. Green bond issuance will also be documented in the Green Bond register. The value of issuance will not exceed the value of Eligible Investments listed in the Green Bond register.

Management of Proceeds

The net proceeds from CPPIB's Green Bond issuance will be deposited to the general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Investments as selected by the CPPIB GBC. The process will be in accordance with our Green Bond Framework.

CPPIB expects Green Bond issuance will finance or re-finance the initial Eligible Investments, any new green investments, as well as any future commitments for those investments.

Eligible Investments will include existing green investments that have been funded by CPPIB within the 24 months preceding the date of the Green Bond issuance.

All relevant information regarding the issuance of Green Bonds and the Eligible Investments financed will be kept in a Green Bond Register.

The payment of principal and interest on any Green Bond issued by CPPIB will be made from our general funds and will not be linked to the performance of any Eligible Investment.

Transparency and Reporting

CPPIB will disclose details of Eligible Investments made during the preceding 12 months on an annual basis.

These details will be available on the Investor Relations section of the CPPIB website. They will also be included in CPPIB's annual Report on Sustainable Investing.