

Green Bond Framework

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CPP Investments' Sustainability Strategy

I. Introduction

CPP Investments was created by Canada's provincial and federal governments with clear legislative objectives. These include maximizing returns without undue risk of loss, taking into account the factors that affect the funding of the Canada Pension Plan. This guides us as we face the critical challenge of generating the investment returns needed to sustain the Fund for generations.

CPP Investments places great importance on environmental, social and governance (ESG) factors. We believe that by considering ESG risks and opportunities we become better investors, able to enhance returns and reduce risk as we manage the fund in the best interests of the Canada Pension Plan's more than 20 million contributors and beneficiaries. We believe organizations that manage ESG factors effectively are more likely to create sustainable value over the long term.

ESG factors have played a key role in the evolution of the fund and this is demonstrated by our role as an inaugural signatory, in 2005, to the UN-supported Principles for Responsible Investment. Almost 15 years ago, CPP Investments began building what is now our Sustainable Investing group to engage with companies, coordinate peer collaborations and work with our investment teams to strengthen our understanding of how environmental, social and governance factors influence long-term returns.

Our *Policy on Responsible Investing*, first adopted in 2005 and updated in 2010, ensures we integrate ESG factors into our investment process. Since 2010, too many companies either destroyed or missed their chance to increase shareholder value because they failed to fully appreciate the evolving financial landscape and instead, focused on short term results. This realization motivated us to clearly articulate the business case for ESG integration in our new *Policy on Sustainable Investing* (released July 2020), as well as our expectations of the companies in our portfolio. The new Policy on Sustainable Investing specifically outlines CPP Investments' support for companies aligning their reporting with the SASB Standards and the Task Force on Climate-related Financial Disclosures (TCFD).

CPP Investments' *Policy on Sustainable Investing* reflects the growing body of evidence which shows that companies that integrate consideration of ESG-related business risks and opportunities are more likely to preserve and create long-term value. We look for practices that will outlast immediate results. While the specifics 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. We believe that properly considering these factors will result in better long-term investment performance across the Fund.

II. About CPP Investments' Sustainable Investing Group

The Sustainable Investing group works across the organization to support investment analyses on the impact of ESG factors and conducts research on industry standards and best practices. For publicly traded equity investments, the Sustainable Investing group also supports our role as an active, engaged owner by carrying out all proxy voting activities.

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

We expect integration of ESG factors, including climate change, by investee companies. We believe that engagement with companies, either directly or in collaboration with like-minded investors, is an effective means through which shareholders can influence productive change, reduce investment risks, realize opportunities and enhance and sustain long term competitiveness and financial performance. We determine where to engage either proactively on our own initiative, or reactively in response to a company's request by:

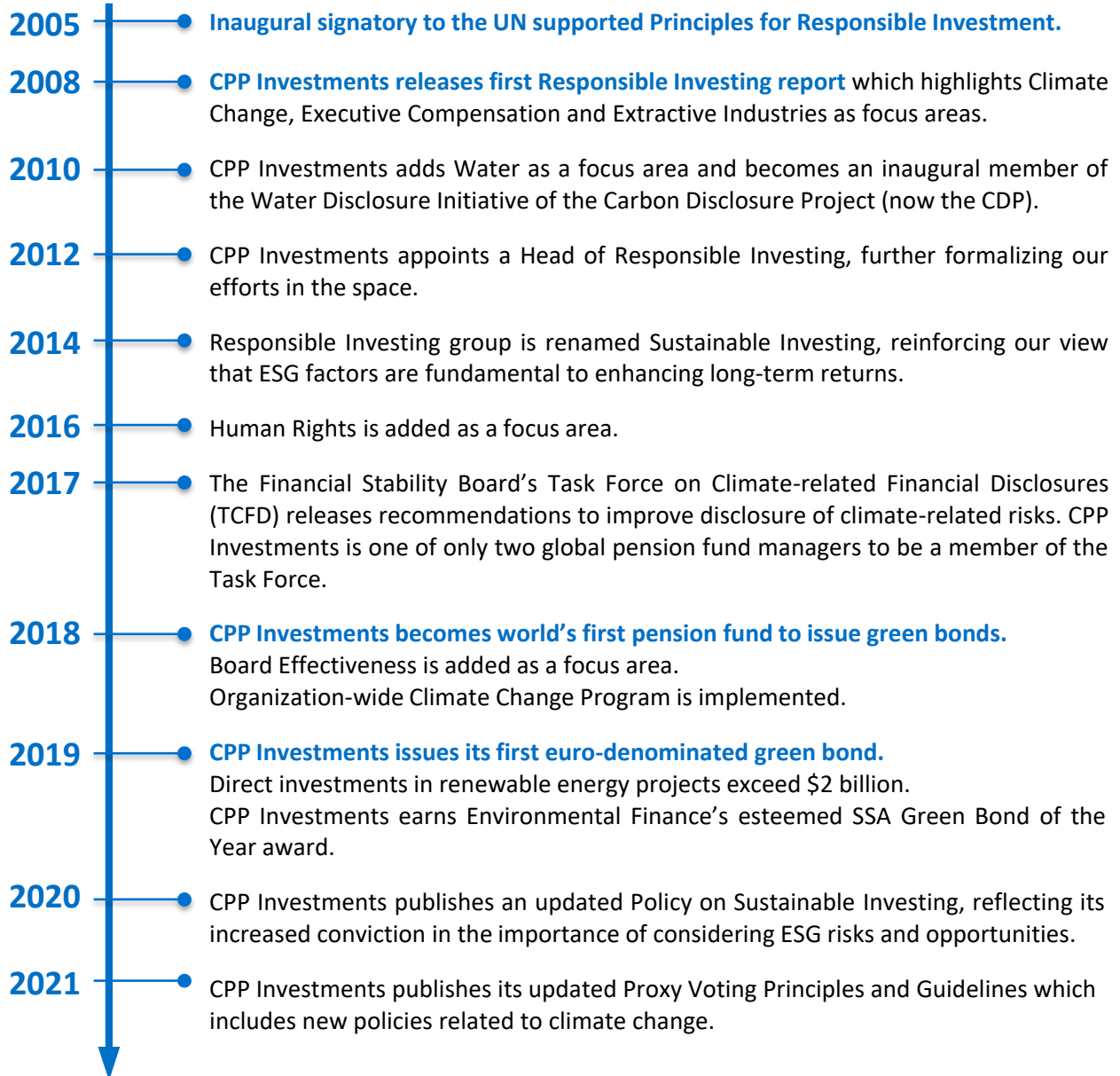
- Analyzing ESG risks and opportunities in our portfolio companies using internal and third-party research.
- Identifying engagement objectives considering materiality, time horizon, resource implications and likelihood of success.
- Selecting the best method of engagement: direct, collaborative and/or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

III. About CPP Investments' Green Bond Program

CPP Investments' Green Bond program was developed in accordance with the Green Bond Principles (GBP) as set out by the International Capital Markets Association (ICMA). As an asset owner, we continue to expand our portfolio of investments that will help position us to be a leader in the transition to a low carbon economy.

Our "Use of Proceeds" platform provides visibility and transparency into the investments that meet our Eligible Investment criteria. Our Impact Report may provide additional metrics (where available) about the environmental impacts of our Eligible Investments. Our Framework provides Inclusion criteria as we believe this is more definitive and transparent. And finally, we will provide Management Attestation annually to confirm the Eligible investments that reside in the portfolio and validate that the proceeds are managed in accordance with this GBF.

IV. Milestones

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- 2005** ● **Inaugural signatory to the UN supported Principles for Responsible Investment.**
 - 2008** ● **CPP Investments releases first Responsible Investing report** which highlights Climate Change, Executive Compensation and Extractive Industries as focus areas.
 - 2010** ● CPP Investments adds Water as a focus area and becomes an inaugural member of the Water Disclosure Initiative of the Carbon Disclosure Project (now the CDP).
 - 2012** ● CPP Investments appoints a Head of Responsible Investing, further formalizing our efforts in the space.
 - 2014** ● Responsible Investing group is renamed Sustainable Investing, reinforcing our view that ESG factors are fundamental to enhancing long-term returns.
 - 2016** ● Human Rights is added as a focus area.
 - 2017** ● The Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) releases recommendations to improve disclosure of climate-related risks. CPP Investments is one of only two global pension fund managers to be a member of the Task Force.
 - 2018** ● **CPP Investments becomes world’s first pension fund to issue green bonds.**
Board Effectiveness is added as a focus area.
Organization-wide Climate Change Program is implemented.
 - 2019** ● **CPP Investments issues its first euro-denominated green bond.**
Direct investments in renewable energy projects exceed \$2 billion.
CPP Investments earns Environmental Finance’s esteemed SSA Green Bond of the Year award.
 - 2020** ● CPP Investments publishes an updated Policy on Sustainable Investing, reflecting its increased conviction in the importance of considering ESG risks and opportunities.
 - 2021** ● CPP Investments publishes its updated Proxy Voting Principles and Guidelines which includes new policies related to climate change.

Since publication of our first sustainable investing report in 2008, the CPP Fund has grown from over C\$122 billion to C\$497.2 billion (as at March 31, 2021). During that same period, the percentage of assets invested outside Canada has risen from 47% to 84.3%. 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.

CPP Investments has shown its leadership in the sustainable finance space as the first pension fund globally to issue a green bond in June 2018. This was followed in January 2019 with the first euro-denominated green bond issued by a pension fund. As a repeat green bond issuer demonstrating a commitment to transparency and quality in the market, CPP Investments has been recognized for this leadership, earning Environmental Finance's esteemed SSA Green Bond of the Year award in 2019. With the intention to continue advancing our leadership in the space, we have refined our Green Bond Program and Framework, as outlined by this document, to represent best practice in this evolving market.

CPP Investments believes that, as we continue to invest for the 21st century and beyond, investments in renewable energy, energy-efficient buildings and low carbon/clean transportation infrastructure, are a good fit for our long investment horizon.

Green Bond Framework

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

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting

I. Use of Proceeds

Eligible Investments will only come from the four categories listed below. These investments will include direct investments in companies deriving all their revenues from the Eligible Investment categories.¹ Additionally, we include the alignment of our Eligible Investments with the EU Green Bond Taxonomy. Our investments against these categories are reported in the Green Bond Register located within our annual Report on Sustainable Investing.

¹ Allowing for nominal revenue generation from other ancillary sources (e.g. money market investments) but not fossil fuels.

Category	Eligibility Criteria	Alignment to the EU Green Bond Taxonomy
Renewable Energy	<p>Acquisition, operation, maintenance and upgrades of wind and solar energy projects</p> <p>Acquisition, operation, maintenance and upgrades of renewable energy storage projects</p> <p>Acquisition, operation, maintenance and upgrades of wind energy projects</p> <p>Efficiency improvements of wind and solar energy projects</p>	<p>Climate change mitigation</p> <p>3.1 Manufacture of renewable energy technologies</p> <p>4.1 Production of Electricity from Solar PV</p> <p>4.3 Production of Electricity from Wind Power</p>
Green Buildings	<p>Direct investments into buildings certified as LEED Platinum and/or their global equivalent</p>	<p>Climate change mitigation</p> <p>3.5 Manufacture of energy efficiency equipment for buildings</p> <p>7.1 Construction of new buildings</p> <p>7.2 Renovation of existing buildings</p> <p>7.3 Installation, maintenance and repair of energy efficiency equipment</p> <p>7.6 Installation, maintenance and repair of renewable energy technologies</p> <p>7.7 Acquisition and ownership</p>
Low Carbon/ Clean Transportation	<p>Investment in construction, development, operation, acquisition and maintenance of low carbon transportation assets, including:</p> <ul style="list-style-type: none"> • Electric, fuel cell and non-motorized vehicles and supporting infrastructure such as charging stations • Infrastructure and rolling stock for mass transit <p>Not applicable to investments in conventional energy or non-renewable power generation</p>	<p>Climate change mitigation</p> <p>6.1 Passenger rail transport (interurban)</p> <p>6.2 Freight rail transport</p> <p>6.3 Public transport</p> <p>6.5 Transport by motorbikes, passenger cars and light commercial vehicles</p> <p>6.15 Infrastructure for low carbon transport (land)</p>
Energy Efficiency	<p>Investing in technologies / infrastructure that result in increased energy-efficiency</p> <p>Not applicable to investments in conventional energy or non-renewable power generation</p>	<p>Climate change mitigation</p> <p>3.1 Manufacture of renewable energy technologies</p> <p>3.5 Manufacture of energy efficiency equipment for buildings</p>

Investments will only be deemed Eligible for CPP Investments' Green Bond program if they fall into the aforementioned categories whereby all of their revenue is generated from one of, or a combination of, these categories as determined by an appropriate CPP Investments' committee, referred to herein as the Sustainable Investing Committee or SIC.² The SIC will apply reasonable judgment which includes best market practices as well as consultation with the relevant investment teams. A unanimous vote by all persons represented in person or by proxy at the applicable SIC meeting is required in order to have an investment added to the list of Eligible Investments.

- 1) Renewable Energy
- 2) Green Buildings
- 3) Low Carbon/Clean Transportation
- 4) Energy Efficiency

The Green Bond Register will not include any direct investments in fossil fuels or power generated by fossil fuels.

II. Process for Project Evaluation and Selection

The investment teams take ESG considerations into account when making investment decisions. The SIC becomes aware of potential Eligible Investments through direct engagement with investment groups that have completed or are looking to complete green investments. The SIC reviews those potential Eligible Investments against our Green Bond Framework and selects which investments qualify for addition to the Green Bond register and notional allocation of Green Bond proceeds. Only those investments which meet the *threshold* described above will be deemed Eligible Investments and approved by the SIC for inclusion in the Green Bond register.

The SIC is comprised of senior representatives from teams across the organization. Its other responsibilities include discussion and approval of topics including our Policy on Sustainable Investing and Proxy Voting Principles and Guidelines, ahead of these policies being recommended to the Board. The SIC is chaired by the Global Leadership Team - Managing Director, Head of Sustainable Investing and includes senior members from different teams across the organization. The Sustainable Investing Committee has assumed the role of CPP Investments' Green Bond Committee (that focused solely on CPP Investments' Green Bond Program) and other legacy climate change-related committees to provide a central forum for the monitoring and guidance of issues related to ESG, including climate change. Several members of the former Green Bond Committee are members of the SIC.

As described above, approved Eligible Investments will be added to the Green Bond Register. CPP Investments' green bond issuance will also be documented in the Green Bond Register and the value of issuance will not exceed the value of Eligible Investments listed in the Green Bond Register.

III. Management of Proceeds

² Allowing for nominal revenue generation from other ancillary sources (e.g. money market investments) but not fossil fuels.

The net proceeds from CPP Investments' Green Bond issuance will be deposited to the general account and an amount equal to the net proceeds will be earmarked for notional allocation to the Eligible Investments approved by the SIC. The process will be in accordance with this Green Bond Framework.

CPP Investments notional allocation of net proceeds may be in respect of financing or re-financing the initial Eligible Investments, any new Eligible Investments approved by the SIC, as well as any future commitments for those investments to the extent approved by the SIC.

Eligible Investments may include existing green investments that have been funded by CPP Investments within the 24 months preceding the date of the Green Bond issuance if approved by the SIC. Allocation of proceeds will be on a portfolio basis, meaning they will be notionally allocated across all Eligible Investments in the Green Bond Register. Assets in the Green Bond Register are at all times intended to exceed proceeds of a Green Bond offering.

All relevant information regarding the issuance of Green Bonds and the Eligible Investments for which proceeds have been notionally allocated will be kept in a Green Bond Register.

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

IV. Transparency and Reporting

On an annual basis, CPP Investments will disclose details of Eligible Investments made during the preceding 12 months. An annual estimated impact report will be produced and will be included in CPP Investments' annual Report on Sustainable Investing. CPP Investments will use a portfolio approach in its Impact Reporting methodology.

This report may include a description of green projects, the share of new financing versus refinancing and, where available, metrics about the projects' environmental impact. These details will be available on the Investor Relations section of the CPP Investments website.

The review process will include a Management Attestation report to confirm the Eligible Investments reside in the portfolio and validate the proceeds are managed in accordance with this GBF.

V. External Review

CPP Investments will obtain an independent Second Party Opinion on its Green Bond Framework to confirm alignment of the Framework to the ICMA Green Bond Principles.

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