

Canada Pension Plan Background:

The Canada Pension Plan (CPP) is a program organized by the Canadian government to provide Canadians with partial replacements of an individual's earning in the case of retirement, disability, or death. Nearly everyone who works in Canada contributes to the CPP and is therefore eligible for a wide variety of benefits for different circumstances, from a standard retirement pension to disability and death benefits. The amount that a given individual can receive will rely entirely on the amount of money they have contributed to the CPP and the number of years they contribute. Every person over the age of 18 in Canada will find themselves contributing to the CPP if they earn more than the minimum amount of \$3,500, until they reach an age eligible to receive their pension benefits. The maximum amount of contributions is set each January.

Canada Pension Plan Investment Board Background:

The Canada Pension Plan Investment Board (CPPIB) was established to invest contributions to the Canada Pension Plan. Prior to 1999 the funds could only be loaned to the provincial governments. In 1999, the decision was made to allow funds to be invested in the market. The CPPIB has grown from a single office with staff of 4 to offices around the world and a staff of 1200. Its operating budget is close to \$1 billion.

Members of the CPPIB are independent, professional money managers who aim to maximize returns on the CPP funds through sound investments.

The CPPIB receives its mandates and investment strategies from its board of directors, made up of individuals appointed by the federal Finance Minister with the help of provincial finance ministers. The CPPIB provides a long list of specific activities that demonstrate how they fulfill their accountability to the finance minister including annual reports, external audits, special audits and special external examinations. Interestingly, the only opportunity for everyday Canadians to have a dialogue with members of the CPPIB comes once every two years in the form of cross-Canada meetings. The CPPIB public meeting happens to be on June 6th, 2016 with a meeting in every province except Quebec and the Territories. The meetings will also be webcast for those unable to make it to the closest provincial meeting.

Due to the generational nature of the CPP fund, the CPPIB looks to invest in assets that will not only produce favourable returns, but those that will do so over a long time horizon. With that the CPPIB former CEO, Mark Wiseman, claims that sustainability is at the core of the CPPIB mandate and how it conducts its business. In order to fully incorporate sustainability into their investment decisions, the CPPIB uses what are called ESG factors or environmental, social, and governance factors to guide their decision-making. The overarching framework for these ESG factors are broadly influenced by the United Nations Principles of Responsible Investment. From public to private market investments, the CPPIB supposedly puts its potential investment assets through a series of analyses, probing the given assets environmental and social effects. Although the investment board may put potential investment assets through an ESG analysis, this does not mean that they will not

invest in any that have negative environmental or social consequences. In terms of climate change for example, the CPPIB strategy appears to only seek disclosure from greenhouse gas emitters of factors that are relevant long-term investors, instead of negatively screening investment opportunities that produce clear and adverse environmental consequences.