

# Green Bond Framework

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# CPP Investments' Sustainability Strategy

Canada Pension Plan Investment Board, which operates as CPP Investments, is a global investment management organization. We were established to help the Canada Pension Plan remain financially sustainable for the long term. We prudently invest the amounts transferred to us by the Canada Pension Plan, helping to provide a foundation on which Canadians can build financial security in retirement.

At CPP Investments, sustainable investing means anticipating and managing sustainability-related material business risks and opportunities, including climate change, when they are material to the investment. We define sustainability-related factors as those including, but not limited to: effective board governance; climate change; environment; equity, diversity and inclusion; health and safety; community engagement; human rights; responsible sourcing and deployment of artificial intelligence; and data and cyber security. Our approach to sustainable investing is an important component of our investment strategy, designed to fulfil our mandate of maximizing returns without undue risk of loss, taking into account the factors that may affect the funding of the Canada Pension Plan and its ability to meet its financial obligations. Through this approach we aim to make better informed investment decisions and create long-term value in the best interests of the Canada Pension Plan Fund's more than 21 million contributors and beneficiaries.

We believe that climate change represents a significant risk and investment opportunity for the CPP Fund as the whole economy transitions in line with sovereign climate commitments. To this end, we seek to factor in a broad range of climate change-related risks and opportunities as part of our investment strategy and total portfolio design. Our diversified investment strategy affords CPP Investments the flexibility to invest across asset classes and into all types of climate change-related opportunities.

Our approach to climate change underlies our own commitment to achieve net zero emissions across all scopes by 2050, in both our portfolio and operations. Our commitment is made on the basis and with the expectation that the global community will continue to advance towards the goal of achieving net-zero emissions by 2050. These advancements include the acceleration and fulfilment of corporate targets, changes in consumer and corporate behaviours, and development of global reporting standards and carbon markets, all of which will be necessary for us to meet our commitment.

## Key Links

To supplement this framework, please refer to the following materials that provide additional context and detail regarding CPP Investments' approach to managing sustainability-related material business risks and opportunities, including climate change, for all investments, including Eligible Investments as defined in this Framework.

- [2023 Annual Report](#)
- [2023 Report on Sustainable Investing](#)
- [2024 Policy on Sustainable Investing](#)
- [2024 Proxy Voting Principles and Guidelines](#)

# 2024 CPP Investments' Green Bond Framework

CPP Investments' Green Bond Framework (the **Framework**) is aligned with the International Capital Markets Association's (**ICMA**) Green Bond Principles' four core components:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting and verification

This Framework addresses each of the above components in support of CPP Investments' green financing initiatives. Eligible investments have additionally been mapped to the EU Taxonomy for Sustainable Activities and the UN's Sustainable Development Goals (see Appendix A).

## I. Use of Proceeds

An amount equivalent to net proceeds raised through a green bond issuance under this Framework will be used to notionally finance investments (equity or debt, in whole or in part) in new or existing CPP Investments' assets (either companies or projects) based on the eligibility criteria below, referred to as "**Eligible Investments**". Notional allocation of net proceeds to Eligible Investments will happen within one year of the green bond issuance date and will follow the process for investment evaluation and selection described in Section II below.

### **Eligible Investments must meet the following criteria:**

- **Companies:** Eligible companies must derive at least 95% of their revenues from projects or operations that meet the eligibility criteria of one or more of the 'Eligible Green Categories' listed below.
- **Projects:** Eligible projects must meet the eligibility criteria of one or more of the 'Eligible Green Categories' listed below. Projects for companies that do not derive all revenue from 'Eligible Green Categories' may continue to be Eligible Investments if they form part of the company's credible transition plan.

### **Eligible Green Categories are:**

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

### **See Appendix A for definitions and eligibility criteria for these Eligible Green Categories.**

Eligible use of net proceeds excludes direct investments in fossil fuel infrastructure. The exclusion explicitly covers, but is not limited to, investments in fossil fueled transportation (including systems using hydrogen generated from fossil fuels, and bioenergy powered systems) and power generation; renewable energy that expands the capacity of oil and gas; and fuel switching (e.g., oil to gas) in building heating system retrofits.

## **II. Process for Investment Evaluation and Selection**

CPP Investments' Sustainable Investment Committee (**SIC**) is responsible for approving Eligible Investments that have been assessed against criteria in this Framework. If the SIC is satisfied that an Eligible Investment meets the applicable criteria, the SIC may approve the addition of the Eligible Investment to CPP Investments' Green Bond Register, which is included in the Green Bond Impact Report that is publicly available on the Green Bond section of CPP Investments' website. The SIC is also accountable for tracking and reporting approved Eligible Investments under this Framework, including notional allocation of net proceeds to approved Eligible Investments.

The SIC is chaired by CPP Investments' Chief Sustainability Officer (**CSO**) and includes senior members from teams across the organization.

## **III. Management of Proceeds**

Net proceeds from CPP Investments' Green Bond issuance will be deposited in the general account and an amount equal to the net proceeds will be earmarked for notional allocation to Eligible Investments that have been approved by the SIC. Notional allocation of net proceeds will be on a portfolio basis, meaning they will be notionally allocated across all Eligible Investments in the Green Bond Register. For clarity, any assets that are sold, terminated, or no longer meet eligibility criteria will be removed from the Green Bond Register.

Pending notional allocation, an amount equal to unallocated net proceeds may be temporarily invested in cash, cash equivalents, and/or government securities.

All relevant information regarding the issuance of green bonds and notional allocation of net proceeds to Eligible Investments will be recorded annually in the Green Bond Register, which is included in the Green Bond Impact Report that is made publicly available on the Green Bond section of CPP Investments' website.

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

## **IV. Transparency, Reporting and Verification**

In respect of any outstanding green bonds, CPP Investments will report annually on notional allocation of net proceeds and associated impact, where feasible, for the preceding 12 months. CPP Investments will use a portfolio approach in its impact reporting methodology.

The information will be published annually in the Green Bond Impact Report on the Green Bond section of CPP Investments' website. Highlights will be included in CPP Investments' annual Report on Sustainable Investing. The first report will be published within one year of green bond issuance and every year thereafter until the applicable green bonds have been repaid. The Green Bond Register, included in the Green Bond Impact Report, will include the following information:

- Net proceeds generated under the Framework;
- Notional allocation of net proceeds by eligible category;
- A brief description of the investment where possible;
- Breakdown of notional allocation of net proceeds between new and existing investments
- Impact metrics by investment category, where feasible;
- Outstanding amount of net proceeds at the end of the reporting period.

Impact metrics that may be used for eligible categories are included in **Appendix B**.

On an annual basis, the notional allocation of net proceeds and impact metrics listed in the Green Bond Register will be verified by management attestation. An external verification of the notional allocation of net proceeds and, where feasible, impact metrics, will be carried out by an independent, qualified third-party on an annual basis until the applicable green bonds have been repaid. The results of the third-party verification will be made publicly available on CPP Investments' website, alongside the Framework and Report on Sustainable Investing. In the unlikely event that the external verification identifies notional allocations to projects that do not comply with this Framework, these projects will be removed from the Green Bond Register and corresponding amounts will be notionally allocated to different assets that comply with this Framework.

CPP Investments is seeking a second party opinion for this Framework from S&P Global Ratings to verify alignment with ICMA's Green Bond Principles as well as provide expert insight into potential environmental impact of Eligible Investments. The second party opinion will be made publicly available on CPP Investments' website, alongside the Framework. If the Framework is substantially altered, an updated second party opinion will be procured.

## Appendix A – Eligible Green Categories

ICMA GBP Category	Eligibility Criteria (companies or projects)	EU Taxonomy Mapping	SDG Alignment
<b>Renewable Energy</b>	<p>Acquisition, development, generation, transmission and distribution of renewable energy including:</p> <ul style="list-style-type: none"> <li>▪ Wind power (offshore and onshore)</li> <li>▪ Solar power</li> <li>▪ Green hydrogen</li> </ul>	<p>Climate change mitigation</p> <p>3.1 Manufacture of low carbon technologies</p> <p>4.1 Production of Electricity from Solar PV</p> <p>4.3 Production of Electricity from Wind Power</p>	SDG 7
<b>Green Buildings</b>	<p>Purchase, development and/or redevelopment of properties that have received or are expected to receive at least one of the following green building certifications:</p> <ul style="list-style-type: none"> <li>▪ Leadership in Energy and Environmental Design (LEED) Gold or Platinum or equivalent levels in other certification programs.</li> </ul>	<p>Climate change mitigation</p> <p>8.1 Construction of new buildings</p> <p>8.2 Building renovation</p> <p>8.4 Acquisition and ownership</p>	SDG 11
<b>Low Carbon / Clean Transportation</b>	<p>Development, deployment and operation of clean transportation assets including:</p> <ul style="list-style-type: none"> <li>▪ Private transport: <ul style="list-style-type: none"> <li>○ Electric or non-motorized transport vehicles</li> </ul> </li> <li>▪ Public transport: <ul style="list-style-type: none"> <li>○ Electric or non-motorized public transportation vehicles and fleets</li> <li>○ Supporting infrastructure such as walkways, bike paths, and charging stations</li> <li>○ Electrification of existing rail infrastructure</li> </ul> </li> </ul> <p>Transportation systems that rely on conventional fuels, hydrogen generated from fossil fuel(s) and/or bioenergy are excluded</p>	<p>Climate change mitigation</p> <p>6.1 Passenger rail transport (interurban)</p> <p>6.3 Public transport</p> <p>6.4 Infrastructure for low carbon transport (land)</p> <p>6.5 Passenger cars and commercial vehicles</p>	SDG 11
<b>Energy Efficiency</b>	<p>Develop, operate, and maintain renewable energy battery storage</p> <p>Development, deployment and operation of technologies, products, or systems that provide significant improvements in energy efficiency (&gt;30% per International Energy Agency and EU Taxonomy), examples including but not limited to:</p> <ul style="list-style-type: none"> <li>▪ Renewable energy-powered district heating and cooling technologies, Smart grids, sensors, load control systems, grid connectors, renewable energy battery storage</li> </ul> <p>Investments that increase efficiency of fossil fueled equipment or power plants are excluded</p>	<p>Climate mitigation</p> <p>4.10 Storage of electricity</p> <p>4.15 District heating/Cooling distribution</p>	SDG 7

## Appendix B – Illustrative Impact Metrics

ICMA GBP Category	Example Environmental Impact Indicators
Renewable Energy	<ul style="list-style-type: none"> <li>• Annual renewable energy generation in MWh/GWh</li> <li>• Capacity of renewable energy constructed or integrated</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>• Percentage of energy use reduced/avoided vs local baseline/building code</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent vs local baseline/baseline certification level</li> <li>• Amount of waste minimized, reused or recycled</li> <li>• Certification standard: type of scheme and certification level</li> </ul>
Low Carbon /Clean Transportation	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tCO<sub>2</sub>e p.a.</li> <li>• Reduction of air pollutants, particulate matter (PM), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</li> <li>• Number of clean vehicles deployed</li> <li>• Kilometers of new or improved train lines/dedicated bus, BRT, LRT corridors, bicycle lanes</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>

## Appendix C - Disclaimer

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