

# CPPIB Green Bond Impact Report 2019



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BOARD

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Enbridge Cedar Point

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"We seek to be a leader among asset owners and managers in understanding the investment risks and opportunities presented by climate change."

**Mark Machin**  
*President and CEO*

"The issuance of green bonds is a logical next step to CPPIB's investment-focused approach to climate change, and we are pleased to be a pioneer amongst pension funds in this regard,"

**Poul Winslow**  
*CPPIB Senior Managing Director  
& Global Head of Capital Markets  
and Factor Investing*

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# Highlights FY2019

2 Green Bonds  
(CAD and EUR)

\$3B CAD raised

3 LEED certified  
Platinum Buildings

4 renewable  
energy projects



4.08 million  
metric tons of CO<sub>2</sub> avoided GHG  
emissions per year from renewable  
energy projects

Equivalent to  
GHG emissions from  
867,253\*  
passenger cars driven  
in one year

6.17 million  
megawatt hours (MWh) of renewable  
energy generation contributed annually

Equivalent CO<sub>2</sub> emissions  
from electricity uses of  
712,327\*  
homes for one year

2 \*Data is derived using the following website <https://www.epa.gov/energy/greenhouse-gas-equivalencies> – calculator based on CPPIB's investment in renewable energy projects only

# CPPIB Green Bond Issuance

During FY19, CPPIB issued two Green Bonds for a total amount equivalent to CAD \$3B.

|                |                    |
|----------------|--------------------|
| Issuer:        | CPPIB Capital Inc. |
| Ratings:       | AAA/AAA/Aaa        |
| Format:        | Reg S              |
| Size:          | CAD 1.5B           |
| Pricing Date:  | 13 June 2018       |
| Maturity Date: | 15 June 2028       |
| Coupon:        | 3%                 |

|                |                    |
|----------------|--------------------|
| Issuer:        | CPPIB Capital Inc. |
| Ratings:       | AAA/AAA/Aaa        |
| Format:        | Reg S              |
| Size:          | EUR 1.0B           |
| Pricing Date:  | 28 Jan 2019        |
| Maturity Date: | 6 Feb 2029         |
| Coupon:        | 0.875%             |

## Consistent with UN Sustainable Development Goals



## Green Bond Award



CPPIB's inaugural Green Bond issuance was awarded the Green Bond of the Year in the SSA Category. This issuance was the first done by a global pension fund and Canada's largest green bond at 1.5B CAD.

# Renewable Energy Projects

| INVESTMENT          | LOCATION                 | DATE OF INITIAL INVESTMENT | DESCRIPTION  | TECHNOLOGY | CPPIB OWNERSHIP | GROSS CAPACITY (MW) | PRORATA CAPACITY (MW) |
|---------------------|--------------------------|----------------------------|--|------------|-----------------|---------------------|-----------------------|
| Cordelio Power*     | Canada                   | Apr-18                     | Portfolio of six Canadian operating wind and solar power projects  | Solar      | 100%            | 396                 | 396                   |
|                     |                          |                            |  | Wind       |                 |                     |                       |
| Enbridge*           | Canada/<br>United States | May-18                     | North American onshore renewable power assets  | Solar      | 49%             | 1,300               | 637                   |
|                     | Germany                  |                            | Two German offshore wind projects  | Wind       |                 | under development   | under development     |
| Votorantim Energia* | Brazil                   | Dec-17                     | Two operational wind parks located in Northeastern Brazil  | Wind       | 50%             | 565                 | 283                   |
| ReNew Power**       | India                    | Mar-18                     | Leading Indian renewable energy developer and operator with clean energy capacity diversified across wind, utility-scale solar and rooftop solar | Solar      | 18%             | 3,100               | 558                   |
|                     |                          |                            |  | Wind       |                 | 1,600               | 288                   |
| Total               |                          |                            |  |            |                 | 6,961               | 2,162                 |

\* June 2018-May 2019

\*\* March 2018-March 2019

This chart includes only assets that are currently operational.



# Green Buildings

| INVESTMENT                              | LOCATION | DESCRIPTION                                | CPPIB OWNERSHIP | PRO RATA ENERGY (MJ) SAVINGS | PRO RATA GHG SAVINGS | CERTIFICATION    |
|---|----------|--|-----------------|------------------------------|----------------------|------------------|
| Centennial Place                        | Canada   | 1,470,000 sf Multipurpose Commercial Space | 50%             | 8%                           | 11%                  | LEED EB PLATINUM |
| Eau Claire Tower                        | Canada   | 829,990 sf Multipurpose Commercial Space   | 50%             | 6%                           | 15.5%                | LEED CS PLATINUM |
| Richmond Adelaide Centre – 111 Richmond | Canada   | 258,129 sf Multipurpose Commercial Space   | 50%             | 15%                          | 10%                  | LEED EB PLATINUM |

The Model National Energy Code for Buildings 1997 is the baseline for a typical year. Upon which actuals were compared to calculate efficiency improvements.

*“CPPIB’s ownership in LEED New Construction projects at Centennial Place, Eau Claire Tower and 111 Richmond have resulted in a 8% reduction in energy and a 12% reduction in GHG emissions when compared to the baseline established through LEED for each project.”*



# Overview

*At CPPIB, we view climate change as one of the world's most significant physical, social, technological and economic challenges. Given our exceptionally long investment horizon, we actively address climate change to increase and preserve economic value, in accordance with our mandate.*

CPPIB entered the Green Bond market to demonstrate to our contributors, beneficiaries and stewards that as we work to fulfil our mandate, we consider and integrate environmental considerations into our investment decisions. Green bonds provide attractive financing to CPPIB as it builds out its portfolio of eligible investments. CPPIB's expanding portfolio of green Eligible Investments includes Renewable Energy, Sustainable Water and Wastewater Management and Green Buildings. The Centre for International Climate and Environmental Research (CICERO), an independent research entity affiliated with the University of Oslo in Norway, has reviewed CPPIB's initial Green Bond Framework which was developed in accordance with the Green Bond Principles as set out by the International Capital Markets Association (ICMA).

CPPIB prudently dedicates resources to sustainable investing, integrating ESG considerations with our obligation to maximize value to CPP contributors and beneficiaries. Our approach to ESG-related activities focuses on three key functions: **integration, engagement and collaboration**. When looking at an ESG issue, we consider taking one or more of these actions to generate positive changes that will create more value in our portfolio of companies.



Cordelio Power



Sombra Solar

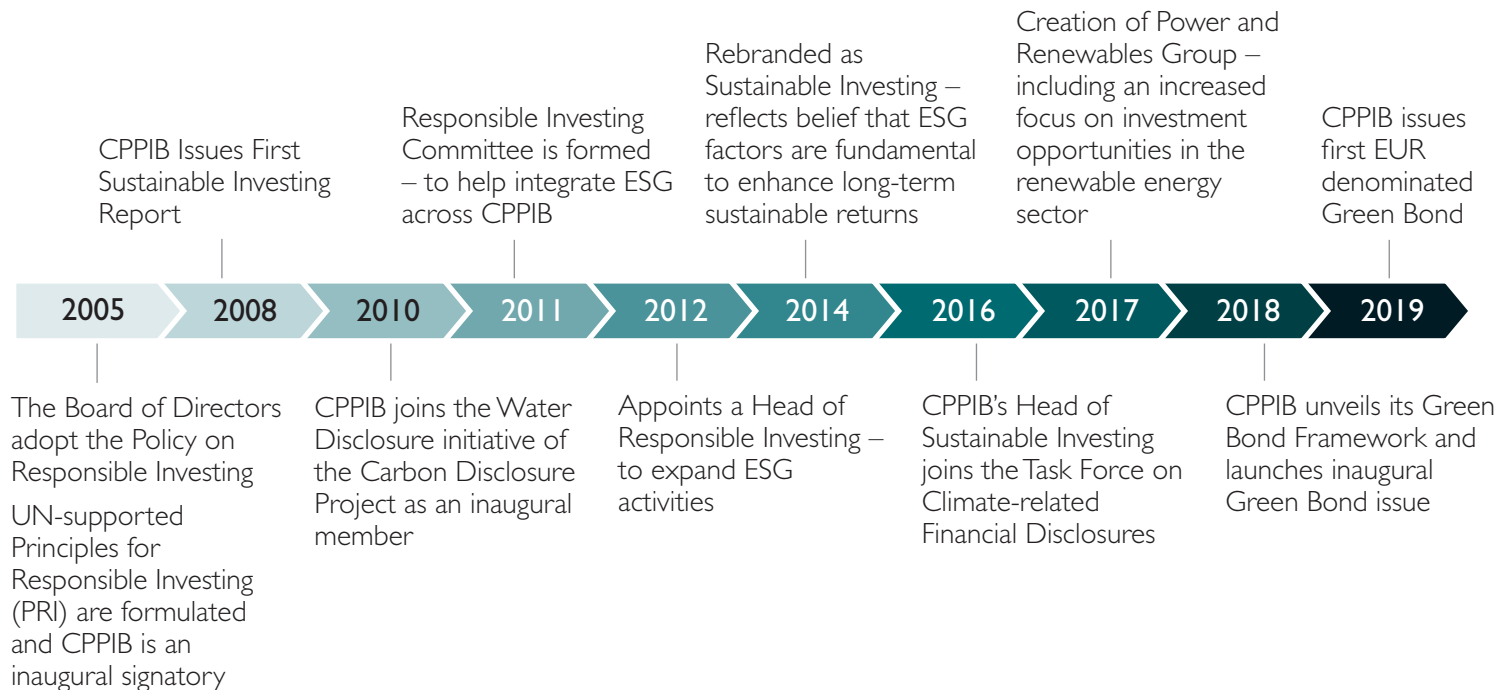


ReNew Solar Plant



Araripina

# Evolution of ESG Platform





# Climate Change Committees



## Climate Change Steering Committee

- Includes the Chief Financial & Risk Officer and senior representatives from Total Portfolio Management, Public Affairs and Communications, Real Assets and the Office of the CEO
- Chaired by Global Head of Active Equities, who is the senior management team sponsor of the Climate Change Program
- Approves overall program execution strategy and sponsors change management across the organization

## Climate Change Management Committee

- Meets monthly and oversees climate change risk integration across the organization
- Comprised of management from across investment departments and core services

# Climate Change Work Streams

## **TOTAL FUND EXPOSURE – APPETITE AND PORTFOLIO DESIGN**

This work stream takes a top-down approach to, eventually, directly factor risks and opportunities into CPPIB's investment strategy and total portfolio design. It works to understand potential climate change and energy transition pathways for various countries, as well as the resulting economic and market impacts. The work stream is also working to develop energy scenarios and reference cases to guide portfolio allocation decisions.

## **TOTAL FUND EXPOSURE – RISK MEASUREMENT AND SCENARIO ANALYSIS**

This work stream's main objective is to identify, assess and monitor climate change risks using several approaches, with the goal of ensuring the resilience of the CPP Fund. The work stream is also responsible for compiling CPPIB's carbon footprint metrics and ensuring the process is aligned with emerging best practices.

## **DUE DILLIGENCE**

This work stream takes a bottom-up approach to assessing climate change risks and opportunities. Enhancing the review process for our most material individual investments, the work stream designed a framework that allows investment teams and approval committees to identify and act on key climate change issues for these fundamentally-driven decisions across geographies and sectors.

## **DATA AND INFORMATION**

This work stream provides enterprise data, technology and information capabilities in support of CPPIB's Climate Change Program.

## **GLOBAL CLIMATE CHANGE MINDSET**

This work stream increases CPPIB's internal awareness and understanding of climate change risks and opportunities through both learning programs and awareness building, often through enterprise-wide communications. This group will help our global investment professionals enhance their understanding of climate change and make better-informed decisions.

## **DISCLOSURE & ACCOUNTABILITY**

This work stream applies a comprehensive communications strategy to strengthen external awareness of CPPIB's climate change work. This includes expanded disclosure through our Sustainable Investing and Annual Reports and ensuring alignment with the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

# CPPIB Green Bond Framework

CPPIB believes incorporating 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.

CPPIB believes that targeting 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):

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- 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 is a cross-departmental committee chaired by a senior member of the Sustainable Investing group and includes 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.

# Common Investor Questions

**Q: What are the investment groups within CPPIB that could invest in eligible green assets?**

A: Power & Renewables, Infrastructure, Real Estate, Active Equities

**Q: How often will CPPIB issue a green bond?**

A: We intend to be a regular issuer in the Green Bond market.

**Q: Where can I get more information on CPPIB's sustainability initiatives?**

A: CPPIB issues a Sustainable Investing Report annually which details the sustainability initiatives, committees and projects on-going at the fund. The report can be found at <http://www.cppib.com/en/how-we-invest/sustainable-investing/investing-reports/#/engagement>.

**Q: How will the green bond program evolve over time?**

A: As investments of the Fund continue to grow and diversify, the program will also evolve in asset categories and regions.

