



CPP  
INVESTMENT  
BOARD

# CPP Investment Board's Approach to Responsible Investing

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November 4, 2009

# Who we are

## Background on Canada Pension Plan Investment Board

- Arm's length Crown corporation created by federal and provincial governments as joint stewards of the Canada Pension Plan in 1997
- A professional investment management organization operating in the private sector with public sector accountability
  - Accountable to federal and provincial Ministers of Finance and to Parliament through the federal Minister of Finance
- Manages the assets of the Canada Pension Plan that are not required to pay current pension benefits

# Our Mandate

Under the *Canada Pension Plan Investment Board Act*, the objectives of the CPP Investment Board are:

- To assist the CPP in meeting its obligations to contributors and beneficiaries under the Canada Pension Plan
- To manage the assets transferred to it in the best interests of CPP contributors and beneficiaries
- To invest its assets with a view to making a maximum rate of return without undue risk of loss, having regard to factors that may affect the funding of the Canada Pension Plan and its ability to meet its financial obligations on any given business day

# Background on Our Policy

## Adopting our Policy on Responsible Investing and joining UN PRI

- Extensive review of emerging trends, standards, and initiatives on responsible investing led to adoption of our Policy on Responsible Investing in October 2005
- We participated in the development of and were among the first group of signatories to the UN Principles for Responsible Investing established in 2006

# Policy on Responsible Investing

## Our approach

- Consistent with our investment only mandate:
  - We look at environmental, social and governance (ESG) factors only as they affect the potential risk and return of investments
  - We believe effective management of ESG factors can generally have a positive influence on corporate financial performance

## Core elements

- Engagement
- Research & Integration

# Engagement

Engagement strategy includes range of activities and focus areas

- Engagement process
  - Proxy voting
  - Direct & collaborative engagement
  - Industry/regulatory dialogue
  
- Current engagement focus areas
  1. Climate change
  2. Extractive industries
  3. Executive compensation

# Engagement (cont'd)

We participate in collaborative initiatives globally to strengthen our voice

- Examples of collaborative engagement
  - UN Principles for Responsible Investment
  - Canadian Coalition for Good Governance
  - Pension Investment Association of Canada
  - International Corporate Governance Network
  - Council of Institutional Investors
  - Carbon Disclosure Project
  - Extractive Industries Transparency Initiative

# Signatory Perspective on UN PRI

## What does being a signatory mean in practice?

- The UN PRI has made significant progress since its launch in 2006.
- CPP Investment Board's implementation of our responsible investing program is consistent with our commitment to the six principles.
  - The UN PRI serves as a guide for our activities and reporting relating to responsible investing.
- The UN PRI were formulated to be consistent with the fiduciary objectives of institutional investors.
- The annual benchmarking process for signatories provides guidance on best practices in responsible investing.
- The Engagement Clearinghouse has been developed to facilitate investor collaboration.

# Examples of UN PRI Implementation\*

## 1 INCORPORATE ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES.

The CPP Investment Board actively seeks enhanced research and analysis, including allocating trading commissions, to encourage investment research that better integrates long-term, material ESG factors.

## 2 BE ACTIVE OWNERS AND INCORPORATE ESG ISSUES INTO OWNERSHIP POLICIES AND PRACTICES.

We implement our *Proxy Voting Principles and Guidelines* and vote our proxies for our public equity holdings. We also meet directly with companies regarding performance and disclosure on ESG issues.

## 3 SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH THEY INVEST.

We support a range of initiatives to encourage improved transparency from companies on ESG issues such as climate change risk and executive compensation. This also includes providing input to regulators and industry associations.

## 4 PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE UN PRI WITHIN THE INVESTMENT INDUSTRY.

We played a leadership role this year through the Chartered Financial Analysts (CFA) Institute as an advisor for the publication titled *Environmental, Social, and Governance Factors at Listed Companies: A Manual for Investors*.

## 5 WORK TOGETHER TO ENHANCE THE EFFECTIVENESS OF THE UN PRI PROCESS.

We collaborate with other investors in Canada and internationally through organizations such as the Canadian Coalition for Good Governance and the Carbon Disclosure Project.

## 6 REPORT ON ACTIVITIES RELATED TO, AND PROGRESS TOWARDS, IMPLEMENTING THE UN PRI.

We disclose how we voted following every public company shareholders' meeting and have published an annual summary of our proxy voting activities. With this report, we have also begun annual reporting on our broader responsible investing activities.

\* From CPP Investment Board's *2008 Report on Responsible Investing*

# For More Information

- Please refer to the Responsible Investing section on CPP Investment Board's website for more information, including:
  - Policy on Responsible Investing
  - Proxy Voting Principles and Guidelines
  - 2008 Report on Responsible Investing

[www.cppib.ca/Responsible\\_Investing](http://www.cppib.ca/Responsible_Investing)