September 28, 2023

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission, New Brunswick
Manitoba Securities Commission
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Superintendent of Securities Nunavut
Office of the Yukon Superintendent of Securities
Ontario Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

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CPP Investments

Dear Sirs & Mesdames,

Re: ***CSA Notice and Request for Comment – Proposed Amendments to Form 58-101F1 Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices and Proposed Changes to National Policy 58-201 Corporate Governance Guidelines***

Introductory comments

CPP Investments is the professional investment management organization that invests Canada Pension Plan (CPP) funds not currently needed to pay benefits. Headquartered in Toronto, we have offices located around the world for immediate access to important markets. As at June 30, 2023, CPP Investments had net assets valued at approximately $575 billion.

Our public purpose is to help provide a foundation upon which more than 21 million CPP contributors and beneficiaries can build their financial security in retirement. Our mandate is clear: to invest the assets of the CPP Fund with a view to achieving a maximum rate of return without undue risk of loss. Our mandate, track record of performance, and committed team have earned CPP Investments an international reputation for excellence, including with respect to our leadership in sustainable investing.

Our Policy on Sustainable Investing defines how CPP Investments approaches sustainability factors within the context of our legislative objectives. Our Proxy Voting Principles and Guidelines (PVPGs) give the directors and officers of companies in which we own shares guidance on how CPP Investments is likely to vote on matters put to shareholders, and communicate our views on other important matters that boards will deal with in the normal course of business. Our Climate Change Principles help guide and inform our decision-making so we can deliver our mandate against the backdrop of escalating climate risk and opportunities created by supporting the transition of the whole economy towards sustainability.

Our views are provided with the fulfilment of our clear legislative objectives in mind.

Our expectations of boards of directors and management teams

Good boards and management teams understand that they can best serve the company by taking a long-term view of its best interests and those of its stakeholders. As a long-term investor, we are committed to encouraging business leaders to adopt long-term mindsets and steward their companies towards long-term shareholder value creation, not just better results in the next quarter.

We expect boards to ensure material sustainability issues are considered and integrated into the company's strategy; and disclose the magnitude of these risks and opportunities, their potential impact on business outcomes and how the company plans to mitigate or capitalize on them over time.

Maximizing the long-term value of a business today is no longer just about strategic, operational and financial excellence. It requires boards and executives to anticipate and manage a highly dynamic environment. This, in turn, requires greater diversity of perspective in the boardroom, among other factors. Organizations that do this well will preserve and grow shareholder value over the long term, and investors that seek to identify these companies will be well positioned to achieve superior investment returns.

Our perspectives on diversity among boards and management teams

CPP Investments supports the view that boards should be diverse in ways that link to a company's business, strategy, geographic footprint, employees, communities, and other stakeholders. This is consistent with our longstanding view that companies with diverse and inclusive boards and executive management teams are more likely to achieve superior financial performance.

Diversity should be considered in all its forms, including but not limited to gender, ethnicity, race, age, orientation and disability. The appointment and inclusion of directors with diverse experiences, views and backgrounds ensures the board as a whole applies diverse perspectives to meaningfully and effectively evaluate management and company performance.

We strongly encourage boards to disclose the diverse attributes of their directors where appropriate and where directors have granted permission to do so, to allow shareholders to fully and accurately evaluate board diversity holistically.

We also believe boards should implement and disclose policies used to ensure that diversity is appropriately considered as part of the director nomination process.

Our voting policies

In Canada, the United States, developed Europe, Australia, New Zealand and South Africa, we will oppose the election of the chair of the board committee responsible for director nominations if the board has less than rounded 30% female directors, provided there are no extenuating circumstances. In all other markets, we will oppose the election of the chair of the board committee responsible for director nominations if the board has less than two female directors, provided there are no extenuating circumstances.

We will consider voting against the entire committee responsible for director nominations, or, where appropriate, all incumbent directors, if sufficient progress on gender diversity has not been made in subsequent years. We support diversity with accountability; we hold all directors accountable for their board responsibilities. We will continue to reevaluate these threshold expectations and consider updates to our expectations for board diversity over time.

We support companies setting their own timebound targets for board diversity, beyond the board gender diversity targets we noted above, to allow them to adapt guidance to their specific circumstances.

However, we have not to-date set targets for diversity beyond gender because of the challenges we see with respect to (i) requiring disclosure of this information from directors due to privacy concerns; (ii) varying legal regimes which govern, limit, and in some cases, prohibit the ability of issuers to request, store and/or report personal data from employees and board members; and (iii) operationalizing that type of target in our voting practices when we are not well placed to determine the appropriateness or materiality of a particular target on a company by company basis.

Our specific views on Form A and Form B

We are supportive of "Form A" as the more flexible approach, which (i) requires the issuer to describe its approach to achieving or maintaining diversity on its board, and (ii) leaves to issuers to determine which categories of "identified groups", in addition to women, will be disclosed as part of an issuer's diversity strategy. Our support for this approach is based on the following:

- A more flexible approach is aligned with our view that boards should be diverse in ways that link to the company's business, strategy, geographic footprint, employees, communities, and other stakeholders. Ultimately, we seek to understand how a company's approach to board and executive diversity supports board effectiveness, and this can vary widely by company;
- The scope of Canadian diversity is not fully captured in the proposed list of designated groups and as a result, prioritizing comparability across a pre-determined set of identified groups over disclosure that is most material to a company's strategy may result in data that is collected and publicly disclosed but not widely used by investors to meaningfully understand a company's approach to diversity;
- As a shareholder, we are conscious of our role in electing directors to be the stewards of the company, who are in turn accountable to us. If in our assessment a board lacks diversity or has failed to disclose a policy to ensure that diversity is appropriately considered as part of the nomination process, we have an existing mechanism to hold directors accountable through our voting;

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- If the goal is to facilitate investor understanding of a company's approach to diversity, a more flexible approach that still requires disclosure[1] will achieve this and can inform a shareholder's decision to vote in favour, or not, of directors;
- While retaining a flexible approach, Form A could be published with specific guidance, for example indicating that companies should disclose on the basis of attributes that are most material to strategy, reflective of its employee and customer base, indicative of board effectiveness and on the basis of what is voluntarily self-disclosed and legally permitted under its applicable jurisdiction(s); and
- A more flexible approach is consistent with the ongoing International Sustainability Standards Board (ISSB) process in developing standardized sustainability disclosures: it establishes a baseline but leaves the materiality determination to the issuer as best placed to make that assessment.

We welcome the opportunity to discuss these views as well as how we can be most helpful to the Canadian securities regulators as this work continues.

Richard Manley
Chief Sustainability Officer, Global Leadership Team-Managing Director, and Head of Sustainable Investing, CPP Investments

[1] Form A would require the issuer to describe its approach to achieving or maintaining diversity on its board, including its objectives as they relate to women and to individuals from identified groups, mechanisms that the issuer has in place to achieve those objectives, how the issuer measures achievement, and the annual and cumulative achievement of the objectives. Any written policy or process the board has adopted as it relates to women and to individuals from identified groups would also have to be disclosed. If the issuer has not adopted such a policy or process, it would have to explain why. Form A refers to an issuer's "approach" and "objectives" with respect to board diversity, recognizing that not all issuers may have a formal strategy on diversity but may still consider diversity in their board nominations.