Canada Post Corporation Pension Plan (Defined Benefit component)

Climate Action Plan

Introduction

Climate change is one of the largest systemic risks that we face today, with governments, regulators, business leaders, investors and civil society all voicing concern and taking action to minimize its harmful effects. The Paris Agreement's goal of "limiting global warming to well below 2°C and pursuing efforts to limit the temperature increase to 1.5°C compared to the pre-industrial age" has been ratified by 193 governments[1].

Limiting global warming to 1.5°C with no or limited overshoot will require unprecedented multi-stakeholder action. The transition to the low carbon economy calls for significant change in the shape and structure of our economy and requires us to significantly reduce the use of fossil fuels and achieve a net zero carbon economy by or before 2050.

There has been increasing action to develop mitigation and adaptation strategies to tackle global warming, manage the risks of climate change, and encourage a just transition to a sustainable low carbon economy. Over 90% of the global economy is now covered by a net-zero commitment[2], which has the potential to fundamentally change how we do business, what we value and how we live. This also introduces complex climate-related risks and opportunities for investors to consider.

Why Climate Change Matters to the Canada Post Pension Plan

Climate change is a systemic and material risk to the global economy and humanity. The world has already experienced approximately 1.1°C of warming above pre-industrial levels. Climate-related risks to health, livelihoods, food security, water supply, human security and the global economy are projected to increase with global warming of 1.5°C and increase further with every increment of warming. Failure to act will lead to negative consequences including for capital markets and asset valuations.

Investors are exposed to the risks and opportunities presented by climate change adaptation and mitigation. Physical risks from extreme weather events and long-term shifts in climate patterns can disrupt businesses, negatively impact local and regional economies and real assets, and bring heightened volatility to financial markets. Transition risks include shifts in the market, policies, technologies and societal preferences that can affect the financial success of existing business models and industries. The transition to a low carbon economy is driving innovation and growth in low-carbon solutions in many sectors, creating new opportunities for long-term investors.

Investors also have a critical role to play as capital allocators if we are to successfully transition to the low carbon economy and to ensure that we adapt effectively to the physical impacts of climate change. We are a key source of the capital required for mitigation and for adaptation. We can ensure that the

[1] https://unfccc.int/process/the-paris-agreement/status-of-ratification
[2] https://netzeroclimate.org/innovation-for-net-zero/progress-tracking/

companies we invest in are resilient to regulatory and other shifts that will result from climate change. We can support policy makers in taking action to enable the low carbon transition and effective adaptation.

Our Commitment to Net Zero by 2050

The Canada Post Corporation Pension Plan (the Pension Plan) commits to managing its investment portfolio in line with achieving net zero greenhouse gas emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels. This commitment is consistent with the goals of the Paris Agreement[3], the Canadian Net-Zero Emissions Accountability Act[4] and the Intergovernmental Panel on Climate Change's (IPCC) Special Report on Global Warming of 1.5°C[5]. We will seek to achieve this commitment while fulfilling our mandate of achieving competitive returns without undue risk of loss and taking into account the factors that may impact the funding of the pension plan and its ability to meet its ongoing financial obligations.

This Climate Action Plan is developed and implemented with the expectation that the global community, including governments and policymakers, will continue to advance and deliver on commitments to achieve net-zero greenhouse gas emissions by 2050. Therefore, implementation of the Climate Action Plan will be a dynamic process that will evolve over time.

The Pension Plan acknowledges that there are limitations to the Climate Action Plan. The Pension Plan's success in achieving the aims of this plan depends on many factors beyond our control, most notably coordinated and effective global climate policy. With delayed and fragmented climate policy, a net zero economy by 2050 is much less likely, and therefore the Pension Plan's portfolio is likely to reflect a similar outcome. Achievement of net zero greenhouse gas emissions by 2050 is far from certain.

Achieving net zero by 2050 will require unprecedented multi-stakeholder action. It is because of this need for ambitious collective action, that the Pension Plan has made this net zero commitment and will implement the Climate Action Plan.

Central to the Climate Action Plan is the development of interim emissions reduction targets and annual carbon "footprinting". We are currently in the data collection and analysis period and will look to establish asset-class specific emissions reduction targets at a later date, based on a 2019 baseline. We may also update the baseline at a later date, if it is deemed that the existing baseline year is no longer representative of the portfolio.

Governance

At the highest level, oversight of the Climate Action Plan will be the responsibility of the Chief Investment Officer. The ESG Investing Team will hold accountability for the continued development and

[3] https://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf
[4] https://www.laws-lois.justice.gc.ca/eng/acts/C-19.3/index.html
[5] https://www.ipcc.ch/sr15/

implementation of the Climate Action Plan, including working with the Asset Class and Risk Management Teams to develop interim emissions reduction targets and guiding frameworks to align the portfolio with those targets. Ultimately, all members of the Pension Investment Team will collectively be responsible for the execution of the Climate Action Plan and achievement of our net-zero by 2050 commitment. The Pension Committee will receive periodic updates on progress related to the Climate Action Plan, including material changes, at least annually.

Our Approach

The Climate Action Plan has four key pillars; these pillars are aligned with the four key pillars of the Pension Plan's ESG Investing Strategy.

- *Integration* – We will integrate climate-related risks, opportunities and impacts into our investment strategy, analysis and decision making.
- *Engagement* – We will engage with companies on climate-related risks and opportunities and expect our managers to engage as well.
- *Advocacy* – We will advocate for public policy and market systems that support limiting the global average temperature rise to 1.5°C.
- *Investment* – We will invest in climate solutions in line with the transition to a resilient, net-zero world.

Integration

We will incorporate climate-related analysis in all investment due diligence that is conducted, for both internally and externally managed assets, recognizing that the level of maturity on the topic of climate change will vary between public and private markets as well as between asset classes.

We expect all our external asset managers to be working towards aligning portfolio companies with the 1.5°C global goal. We prioritize engagement with portfolio companies over exclusionary action as we believe that this approach is better aligned with our fiduciary responsibility and better supports real world change. That said, we support thoughtful reallocation of capital in cases that pose undue financial risk resultant from failure to prepare for the low carbon transition and/or physical climate risks.

We expect our external public equity managers to:

- Work towards portfolio company alignment with the 1.5°C global goal, including interim emissions reduction goals;
- Engage with portfolio companies to have them take action to reduce greenhouse gas emissions across their operations and value chain, consistent with the global 1.5°C target;
- Report annually on progress towards alignment of the 1.5°C goal, including how the Manager's public policy engagement and advocacy efforts are aligned with the 1.5°C goal;
- Provide firm level reporting in line with the TCFD recommendations, including scopes 1 and 2 (and where feasible) the most relevant and material scope 3 emissions.

We expect our external private markets managers to:

- Measure and disclose data on financed scope 1 and 2 emissions (and the most relevant and material scope 3 emissions) as soon as practical,
- Move towards setting net-zero targets for portfolio companies as soon as possible, including interim emissions reduction goals,
- Disclose their approach to climate governance, including the roles, responsibilities and arrangements that are in place to manage climate-related risks and opportunities.

We aim to formalize our approach on how climate transition and physical risks are identified and assessed within the investment process and to incorporate climate-related risks into our risk management process and reporting.

Engagement

We believe that corporate engagement is one of the most powerful tools investors can use to steward companies in a positive direction towards a low carbon transition.

We expect companies to align with the global goal of limiting warming to 1.5°C and to clearly articulate climate strategies and transition pathways that will deliver net zero emissions by 2050. Climate targets should be built around robust methodologies, such as the Science Based Targets Initiative (SBTi) framework. Climate strategies should include near- and medium-term targets and provide investors an understanding of how capital allocation will be adjusted over time to support the transition of the business.

Our engagement activities include:

- Annual (at minimum) discussions with external managers on the topic of climate change and associated progress towards targets and objectives;
- Participation in collaborative investor engagement initiatives such as Climate Action 100+, Climate Engagement Canada, which focus on the largest emitters globally and in Canada;
- Direct and indirect (via external managers) engagement with select companies;
- Proxy voting, as outlined in our Corporate Governance Principles and Proxy Voting Guidelines[6].

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Advocacy

In recognition that achievement of our net-zero commitment will be highly dependent on advancements made by the global community towards achieving net-zero greenhouse gas emissions by 2050 and global climate policy developments, we will advocate for industry and policy developments to support these advancements. This will be conducted on a case-by-case basis and may include (but not limited to):

- Participation in research and market studies conducted by industry associations and regulators;
- Participation in industry working groups;
- Signing on to letters in support of progressive market developments, including enhanced climate disclosure and reporting standards.

[6] https://www.cpcpension.com/homepage/documents/Proxy_Voting_Guidelines_E.pdf

Investment

In order to achieve our net-zero by 2050 commitment, we believe that it is not only necessary to reduce emissions, but to also invest in climate solutions. Progress has already been made in this area - in our real estate portfolio, we have made significant progress in exploring decarbonization and resilience strategies for some existing assets, as well as net zero design for some new developments. We will continue to build upon existing progress to allocate more capital towards climate solutions, with a core focus on achieving positive climate impact.

Review

The Climate Action Plan will be reviewed on an annual basis and revised as necessary and is subject to the governance structure outlined in the "Governance" section. In recognition of the complex nature of climate change, future iterations of the Climate Action Plan may include reference to emerging, climate-adjacent topics including, but not limited to, water scarcity and biodiversity.