

# CANADA PENSION PLAN INVESTMENT BOARD

## ***Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act – 2024 Report***

Canada Pension Plan Investment Board (**CPP Investments, we, us, and our**) has published this Report pursuant to *Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the **Act**). This Report relates to the CPP Investments fiscal year which ended March 31, 2024 (the **Fiscal Year**).

### **ABOUT CPP INVESTMENTS**

CPP Investments is a Canadian federal Crown corporation created by the *Canada Pension Plan Investment Board Act* (S.C. 1997, c. 40) (the **CPPIB Act**). Under the CPPIB Act, all of the shares of CPP Investments are issued to the federal Minister of Finance and held on behalf of His Majesty in right of Canada.

CPP Investments is the professional investment management organization that invests Canada Pension Plan (**CPP**) funds not currently needed to pay benefits. CPP Investments' legislative mandate is to (i) assist the CPP in meeting its obligations to contributors and beneficiaries under the CPP; (ii) manage amounts transferred to CPP Investments pursuant to the *Canada Pension Plan* (R.S.C., 1985, c. C-8) in the best interests of CPP contributors and beneficiaries; and (iii) invest our assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the CPP and its ability to meet its financial obligations on any given business day. As at March 31, 2024, CPP Investments had total net assets under management valued at approximately CAD \$632 billion. Additional information regarding CPP Investments and our approach to sustainable investing is available in our most recent [Annual Report](#) as well as our [Report on Sustainable Investing](#).

As a global investment management organization, CPP Investments maintains a broad, diversified portfolio of assets, some of which may have filing requirements under the Act. As the businesses, operations, risk profiles, policies and actions taken by CPP Investments and our portfolio companies differ, we have been in discussions with our portfolio companies that meet the criteria and have a filing obligation under the Act, in order for them to report separately.

### **OUR BUSINESS ACTIVITIES AND SUPPLY CHAIN**

**Our Investment Activities.** CPP Investments invests globally across multiple asset classes. We hold investments in approximately 55 countries and have over 300 global investment partners and invest in a wide range of companies, including ones with vast and complex supply chains that require

sophisticated responsible sourcing programs. At CPP Investments, sustainability-related factors, including human rights and responsible sourcing, are integrated into our risk-based investment and asset management frameworks.

For more detailed information about our investment activities, please refer to our [Annual Report](#).

**Our Employees.** CPP Investments employs a diverse team of over 2,000 employees across numerous global offices. Given the nature of our activities, our workplace consists of skilled and experienced employees. We also maintain rigorous hiring practices and transparency with respect to employment practices due to the size of our workforce and the systems and controls we have in place.

**Our Supply Chain.** CPP Investments generally does not procure goods other than those needed to support the operation of our offices, such as information technology and office equipment. The largest portion of CPP Investments' vendor spend is on professional services firms with skilled workforces, such as legal, accounting, tax, investment banking, information technology, and other advisors and consultants to support our activities. To a lesser extent, our service vendors also include airlines, hotels, cleaning, property maintenance, security, courier services and food services.

## **GOVERNANCE AND POLICIES**

CPP Investments' approach to assessing and managing the risks of forced labour and child labour (**modern slavery**) in our investment activities and supply chain involves incorporating sustainable business practices in our governance structures, investment and risk management processes.

### **Governance**

CPP Investments is committed to exercising good governance over our investments and sustainability-related risk assessments. Our Chief Sustainability Officer is responsible for overseeing the implementation of the firm-wide sustainability strategy, and chairs CPP Investments' Sustainable Investing Committee (**SIC**), which is a sub-committee of our senior management Investment Strategy and Risk Committee (**ISRC**). The SIC is comprised of senior individuals from across the organization and supports the ISRC's oversight of all non-financial sustainability-related factors for CPP Investments. We also have sustainability experts within the organization and support the integration of sustainability-related factors in our investment activities and operations.

### **Policies, Guidelines and Standards**

CPP Investments addresses modern slavery risks through the following policies, guidelines, and standards:

- Our [Code of Conduct](#) and [Guiding Principles](#) apply to all employees, directors, officers, and

certain third parties, and establish the values and expectations that are foundational to our culture and the standard of behaviour expected to ensure the highest ethical standards. Actual or possible violations of the Code of Conduct, including any misconduct or illegal or unethical behaviour, are required to be reported so appropriate action can be taken to review and address issues. There are several methods available to report matters, including through our Whistleblower Hotline.

- Our [Policy on Sustainable Investing](#) sets out how CPP Investments integrates sustainability-related factors into investment and asset management activities within the context of our legislative mandate. This Policy is applied throughout the investment life cycle and across asset classes where such considerations are material to the investment. In March 2023, we updated this Policy to make clearer that our definition of sustainability-related factors includes but is not limited to human rights and responsible sourcing.
- Our [Proxy Voting Principles and Guidelines](#) provide public companies in which CPP Investments owns shares, guidance on how CPP Investments is likely to vote on matters put to shareholders, including sustainability-related risks.
- Our *Vendor Governance and Procurement Standard* establishes the key principles, roles and responsibilities within CPP Investments for the identification, selection, onboarding, risk and performance management, and offboarding of vendors. It also establishes monitoring and reporting to support adherence to the standard. When engaging a new vendor or an existing vendor for a demonstrably different type of engagement, a vendor risk questionnaire is completed to manage certain risks associated with the vendor. During the Fiscal Year, the questionnaire was amended to specifically address modern slavery risk.

## **STEPS TAKEN TO REDUCE THE RISK OF MODERN SLAVERY**

During the Fiscal Year, CPP Investments took the following steps to assess and manage the risk of modern slavery in our investment activities and supply chain:

1. We conducted a modern slavery risk assessment and mapping exercise to contextualize and categorize our suppliers according to risk levels – low, medium and high.
2. We enhanced our procurement processes including supplementing the vendor risk assessment and due diligence process for modern slavery risk and updated our vendor risk questionnaire and Request for Proposal template documentation.
3. We provided mandatory training on the risks of modern slavery and the requirements under the Act to key employees, including in procurement, risk, legal and compliance.
4. We amended our standard contractual terms to include requirements for our suppliers of goods and services to adhere to contractual requirements pertaining to modern slavery. These new terms are applied where appropriate and practicable and our preferred language

includes: (i) a base compliance covenant; (ii) a more prescriptive compliance covenant for higher risk counterparties; (iii) a backward-looking representation and warranty; (iv) a notification requirement in the event of discovery of modern slavery; and (v) termination rights.

## **Due Diligence**

**Our Investment Activities.** At CPP Investments, we strive to invest in companies that actively seek to improve their responsible sourcing programs. Where material, we seek to identify whether portfolio companies and their direct suppliers have higher risk of potential exposure to human rights or environmental issues in their supply chains. We conduct further diligence and engage with them to address gaps and identify mitigation strategies as required.

We require our private equity General Partners and external portfolio managers to complete our sustainability-related due diligence questionnaire at the beginning of a relationship with CPP Investments, which allows us to determine how our partners integrate these considerations into their investment activities.

When we conduct due diligence of our private investments with higher sustainability risk, we use a sustainability due diligence tool which helps identify modern slavery risks, including:

- compliance with labour or human rights-related laws, standards or regulations and compliance with applicable anti-slavery regulations;
- minimum working age and systems to ensure adherence to the legal minimum wage;
- poor working conditions, including hours of work, and physical conditions;
- proper labour contracts;
- information on rights and conditions of employment;
- policies and practices to ensure that modern slavery and human trafficking are not taking place in the company and their subcontractors; and
- supply chain processes including selecting, working with and monitoring its key suppliers to ensure responsible sourcing guidelines.

**Our Supply Chain.** As noted above, this Fiscal Year, CPP Investments undertook a mapping exercise of our direct suppliers to contextualize and categorize vendors as having low, medium and higher risk of modern slavery and supplemented our vendor risk assessment and vendor due diligence processes to include an escalation framework for vendors considered to be at higher risk of modern slavery, based on factors such as sectors, geographies or other risk factors identified by the United Nations. Under this enhanced process, suppliers flagged for higher modern slavery risk are subject to enhanced due diligence.

## **RISK OF MODERN SLAVERY IN OUR BUSINESS ACTIVITIES AND SUPPLY CHAIN**

**Our Investment Activities.** CPP Investments has focused on the risks of modern slavery in certain sectors and monitors developments in the risk areas described above to understand where we need to focus resources. For almost 10 years, we have engaged with our portfolio companies to address human rights as a focus area. For more information, see our [Report on Sustainable Investing](#).

**Our Supply Chain and Workforce.** We do not believe there is heightened risk of modern slavery in our workforce, which consists of skilled employees engaged through rigorous hiring practices. We also do not believe that the supply chain for our internal operations carries a high risk of modern slavery given our activities. Most of our suppliers are professional and business services firms that offer transaction advisory and due diligence services, and themselves have short, low-risk supply chains for these services.

## **REMEDIATION MEASURES**

With respect to active holdings in our investment portfolio, CPP Investments engages with our portfolio companies through our governance rights. We may conclude not to pursue or maintain investments in companies if management's strategy or lack of engagement with sustainability-related issues (including human rights and responsible sourcing) undermine the long-term value or legal risk of the business, or where brand and reputation considerations from sustainability-related factors may significantly adversely affect expected risk-adjusted returns, or for legal considerations.

Our Code of Conduct requires all employees, officers, directors and certain third parties to speak up and report any actual or possible violations of the Code of Conduct, including any misconduct or illegal or unethical behaviour. There are several methods to report including speaking to a manager, our Talent Department, Legal or Compliance colleagues, our Conduct Review Advisor, or through the Whistleblower Hotline. The hotline is available online, by telephone or by mail, globally and in several languages, 24/7. It is administered by a third party and reports may be made anonymously. Any reports received through the hotline would be referred to our Legal and Compliance team for assessment and remediation, where necessary. CPP Investments takes speaking up seriously and does not tolerate retaliation in any form towards anyone who speaks up in good faith. During the Fiscal Year, CPP Investments did not identify any modern slavery requiring remediation. As such, no measures have been taken to remediate modern slavery or the loss of income to the most vulnerable families as a result of measures taken to eliminate modern slavery in our activities and supply chain.

## **EMPLOYEE TRAINING**

CPP Investments' employees receive mandatory ongoing training on the culture, values and Guiding Principles that apply to all employees of CPP Investments and must complete the Code of Conduct training course and acknowledgement semi-annually. In addition, with support from expert third parties, during the Fiscal Year, we created and provided training related to modern slavery and the Act to employees in core functions most likely to encounter modern slavery given their roles within CPP Investments. Topics included the risks associated with modern slavery, expectations for our operations and investments and the indicators of modern slavery.

## **ASSESSING EFFECTIVENESS**

Our integrated risk framework considers key risks that could have a material impact on our ability to deliver on our mandate and achieve our strategic objectives. It is guided in part by the principle that we operate within our stated risk appetite by monitoring our risk exposures. We regularly review the effectiveness of our risk management activities over key risks, including sustainability-related factors such as human rights and responsible sourcing, and employ several mechanisms to monitor and report on those to our Investment Strategy & Risk Committee, and the Risk Committee of the Board of Directors, among others. We also conduct a risk-based internal audit program, which from time to time involves auditing risks and controls associated with human rights practices.

## **APPROVAL AND ATTESTATION**

This report has been approved by the Board of Directors of Canada Pension Plan Investment Board pursuant to Section 11(4)(a) of the Act, as evidenced by the binding signature of the Chairperson of the Board.



Name: Dean Connor

Title: Chairperson of the Board of Directors of Canada Pension Plan Investment Board

Date: May 30, 2024

I have the authority to bind the Canada Pension Plan Investment Board.