

## **Helping to Maintain the Sustainability of the Canada Pension Plan for Generations**

By John Graham, President & CEO, CPP Investments

Presentation to the Canadian Club Toronto

Tuesday June 22, 2021

## **John Graham on Helping to Maintain the Sustainability of the Canada Pension Plan for Generations**

---

Good morning, everyone. And thank you to the Canadian Club for inviting me to speak today.

Four months ago, I was honoured to become the President & CEO of CPP Investments, an organization that plays a vital role in the lives of Canadians.

It's what drew me to CPP Investments over 13 years ago, pivoting from a career as a research scientist.

The idea that I could play a part in contributing to the financial security of millions of Canadians was very appealing.

At the time, we were a \$100 billion dollar organization.

Fast forward to today, we are reaching half a trillion –

Despite the incredible challenges of the global pandemic.

This morning I'll touch on three topics: CPP Investments performance, our current approach to global markets, and finally, the pressing issue of climate change.

Let me start with our performance.

Certainly 2020 felt like a roller-coaster for all of us here– and not in a good way.

In March of last year, the markets dived, businesses shuttered, many of our contributors stopped working, and our global team went from nine office to 1900 home offices literally overnight.

As the world moved through the early uncertainty, bright spots began to emerge.

The economic stimulus provided by governments and central banks was unparalleled, and the markets stabilized and ultimately rebounded.

The lightning-fast vaccine development was extraordinary, especially from my perspective as an ex-research scientist. We are pleased with our meaningful investment in Moderna, made mere months before anyone heard of coronavirus.

Yet, despite all of the volatility, our fiscal 2021 was great news for millions of Canadians.

We reported our strongest-ever annual return of 20.4%.

I'm exceptionally proud of how our global team delivered this year, overcoming the immense mental and physical challenges of the global pandemic.

We didn't pause. We ran faster. And the CPP Fund reached almost half a trillion dollars, about 7 years earlier than originally projected.

But one-year results, good or bad, are not our immediate priority.

We remain focused on long-term performance. We keep looking ahead for generations to come because our investments must deliver growth far into the future, including for younger workers beginning to contribute now.

Our active management strategy continues to deliver strong long-term results. A net return of 10.8% over ten years.

I'm proud to say this performance has not gone unnoticed.

Last month, the Sovereign Wealth Fund Institute ranked us as the top performing fund globally as measured by compound annual growth rate.

To quote their 2021 report:

"Canada has only the world's ninth largest economy, but its pension system has proven to be one of the, if not THE, most advanced."

The Fund's growth and superior returns over the long term, reflect a commitment to excellence that our team brings to work every day.

Our purpose-driven culture – helping Canadians feel secure in retirement – it's this purpose that fuels our track record of success.

We've built a globally competitive investment powerhouse, with an experienced team who bring deep knowledge and expertise across a wide breadth of asset classes and investment strategies.

Now let me shift to our outlook.

As we move to a post-COVID world, our long-term strategy remains our guide as we continue to carefully weigh the impacts of the pandemic.

On a "micro" level, we see certain trends that accelerated during COVID continuing to persist beyond.

Remote work in some form is here to stay. And with it, the challenge of building systems and services to support a distributed work environment.

New software, new workplace technologies

New systems

And new services

These are all investment opportunities for us

Another trend is the accelerated expansion of e-commerce and impacts on the logistic sector.

Last year, the Canadian economy shrunk by about 5% but the digital sector grew by 3.5%.

This has triggered the exponential growth of cloud computing, a need for IT hubs to become location-agnostic, and increased demand for high-quality logistics companies.

These are just a few multi-asset class, multi-jurisdictional trends that we're focused on understanding and investing in across our global portfolio.

Now let's shift to a macro view.

As the global pandemic recedes, big challenges and questions remain for the global economy.

How and when borders are opened, the ongoing impact of monetary and fiscal policy, how different jurisdictions will approach containment of the virus...these are all things we incorporate into our portfolio construction.

But whether we are looking at the micro or macro view, what is increasingly critical right now to CPP Investments' success - and ultimately our contributors' and beneficiaries' success - is the breadth of our strategies in this environment.

The global capabilities we have built can't be easily replicated. Our 'One Fund' approach is already reaping benefits, as we leverage our knowledge internally across 24 distinct investment programs.

It's the deep One Fund approach, that we are now bringing to bear on one of the most pressing challenges facing the planet today.

Climate change and the global economy's path to net-zero greenhouse gas emissions.

We're seeing progressively ambitious climate policies globally, innovation and new technology impacting old and new economies, and changes in consumer and corporate behaviour.

Against that backdrop, our aim is to capture the opportunities and manage the risks that arise as GHG emissions are gradually removed from the real economy.

We see a crucial role for CPP Investments.

In funding and supporting this long-term and complex transition pathways.

All in the interest of maximizing returns over generations.

We require companies in our portfolio, both public and private to have viable energy transition strategies – and we’re holding them to account through our voting and influence.

We believe that using blanket divestment will impede the world’s ability to transition.

It is critical that we continue to play a role in lowering emissions across the energy spectrum through engagement and not blanket divestment.

As an example, at the halfway mark of this years’ proxy season, we voted against 44 directors whose companies we determined did not show an appropriate plan to address climate change.

Looking ahead, we expect to be a major investor in the energy transition.

Earlier this year, we established a Sustainable Energies Group to build on existing strength in renewables, conventional energy and innovation.

The Group already has more than \$20 billion in assets under management.

Our strategy will evolve as transition pathways emerge and global standards for net-zero emissions materialize.

Climate change is the defining challenge of the 21st century. CPP Investments will be a key investor in the world’s path to net zero.

As we emerge from the pandemic, the mood in Canada and abroad has turned from anxiety to confidence.

But we are also heading into uncharted territory, and as a global investor we need to stay alert.

CPP Investments is keeping a close watch on inflation expectations, on fiscal and monetary policy responses that have become less predictable, on real growth expectations that diverge dramatically across the globe, on currency volatility, and a less stable exchange rate regime.

Yet, amidst all this uncertainty, 20 million Canadians can take comfort in the knowledge that the CPP is healthy and growing and sustainable for the next 75 years.

My thanks to everyone who joined us virtually today.

And Amanda, I look forward to our discussion.