2023 Sustainable Investment Report

Embedding sustainable investing

Public Sector Pension Investment Board

We aim to embed sustainable investing into who we are and what we do as part of our strategy.

In line with our investment beliefs, we seek to enhance the integration of material sustainability factors into our investment process. As a long-term investor, we believe in actively incorporating material sustainability factors, including addressing material systemic risks related to climate change. Our aim in doing so is to improve the overall risk-return profile of our fund over the long term.

We also believe that having a compelling and unifying sustainability vision —one that unites our employees across geographies, functions and roles— will help us deliver on our long-term investment mandate and total fund approach.

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All amounts in this report are in Canadian dollars unless otherwise noted.

Overview

We are one of Canada's largest pension investors.

Established in 1999, PSP Investments manages the amounts transferred to it by the Government of Canada for the funding of benefits earned from April 1, 2000, by members of the public sector pension plans of the federal Public Service, the Canadian Forces (Regular Force), the Royal Canadian Mounted Police (RCMP) and, since March 1, 2007, the Canadian Forces (Reserve Force).

Net AUM[1]
$243.7 B

Increase in net AUM
5.7%

10-year net annualized return

9.2%

$130.1 B
Cumulative 10-year net portfolio income[2]

$31.8 B
Cumulative net investment gains above the Reference Portfolio[3] over 10 years

5-year net annualized return

7.9%

$74.3 B
Cumulative 5-year net portfolio income[2]

$22.3 B
Cumulative net investment gains above the Reference Portfolio over 5 years

1-year net portfolio return

4.4%

$10.2 B
Net portfolio income[2]

$9.5 B
Net investment gains above the Reference Portfolio

1 Net AUM denotes net assets under management.
2 Excluding contributions.
3 The Government of Canada gives to PSP Investments a Reference Portfolio that communicates its tolerance for funding risk.

President and Chief Executive Officer’s message

In a year marked by challenges and uncertainty for investors, PSP Investments continued to deliver resilient long-term financial results and advance its capabilities to address emerging risks and opportunities.

This is a journey for us and we’re proud of the progress made thus far. However, we’re also looking ahead to a world of rising interest rates and inflation, geopolitical tension, growing inequalities, and increased complexity from technology innovation. The war in Ukraine has also highlighted the energy trilemma of balancing energy security, energy affordability, and the energy evolution. The convergence of all these forces encourages us to become even better investors than we’ve been up until now.

Working with the Board, our leadership team is planning to refresh our corporate strategy in the new fiscal year to capitalize on the opportunities that will undoubtedly arise and to position the organization for long-term success in line with our mandate. In a world of increasing uncertainty, we aspire to develop additional foresight on the structural changes that will impact investments over the long term. This will include our evolving insights on climate, biodiversity, and the impact of social matters on our license to operate.

Advancing our climate capabilities

As you’ll read in this report, we have continued to make strides in fiscal year 2023 to increase our capabilities to incorporate material climate change considerations into our investment decisions, including launching an inaugural Climate Strategy Roadmap, which outlines our commitment to use our capital and influence to support the transition to net-zero emissions by 2050.

We firmly believe that by improving our climate investing capabilities, we can position ourselves to better manage our risk, discover new investment opportunities, and increase the resilience of our portfolio. That’s why continuing to advance our climate capabilities is a corporate priority in fiscal year 2024. However, we recognize that climate is only one area of risk and opportunity that we should consider as long-term investors.

Embedding emerging risks and opportunities into our investing

We believe that integrating emerging risks and opportunities can add value to our investments. Effectively evaluating and managing both material financial and emerging factors can reduce risks and improve our long-term returns.

For this reason, we strive to include our understanding of emerging risks and opportunities into our culture, operations, and investment practices—to make us better long-term investors. To this end, we adopted a “hub-and-spoke” model in fiscal year 2023, which you’ll find more details on in this report.

Given our track record—from the $130 billion of cumulative net portfolio income generated over the last 10 years to our focus on continuing to increase the sophistication of our approach to investing—we’re confident that we can increase the long-term resilience of our portfolio in this new investment regime to fulfill our important mandate.

Sincerely,

Deborah K. Orida
President and Chief Executive Officer

Chief Investment Officer's message

As a pension investor, one of PSP Investments' core investment beliefs is that identifying, monitoring, integrating and capitalizing on material emerging factors contributes to our long-term investment performance, the long-term resilience of our portfolio and our ability to deliver on our mandate.

With each passing year, we strive to become better and better at translating this belief into concrete insights and actions, and measurable outcomes. While much of this progress can be attributed to our strategy and developing climate capabilities, it would not be possible without a simultaneous shift to more technology-enabled, data-driven approaches. This shift enables us to work to set meaningful targets, apply the same rigor to sustainability-related analysis as to traditional financial analysis, and increase accountability for sustainable investing across the organization.

For example, an important step in creating our Climate Strategy Roadmap was the development of a Green Asset Taxonomy, which helped us assess our exposure to green, transition and carbon-intensive assets and set our target baseline. The Green Asset Taxonomy is a quantitative and qualitative framework that is based on portfolio companies' carbon intensity and an assessment of the credibility of their transition plans. We are now using it to inform our investment decision-making and track progress toward our climate targets.

Throughout this report, you'll find examples of new data-driven approaches and tools being implemented by our Sustainability and Climate Innovation (SCI) group and investment teams. This includes an inaugural total fund sustainability-related data collection process, which covers key performance indicators in the areas of climate change; diversity, equity and inclusion (DE&I); business ethics; cybersecurity and data privacy; and human capital management.

Having identified data collection requirements to support our sustainable investment approach and climate strategy in fiscal year 2022, our focus in fiscal year 2023 was on enhancing access to sustainability-related data and expanding our collection efforts at the total fund level. We recognize that there's a lot more work to be done. In the coming year, we intend to further expand firm-wide access to high-quality sustainability data and knowledge by formalizing and institutionalizing sustainability-related data collection efforts and implementing processes and technologies that improve analysis and benchmarking capabilities.

We look forward to reporting on our progress in next year's report.

Sincerely,

Eduard van Gelderen
Senior Vice President and Chief Investment Officer

The four dimensions of long-term sustainable investing

Insights from Herman Bril, Managing Director and Head of Sustainability and Climate Innovation

We believe PSP Investments' long-term horizon provides distinct advantages: it helps us to manage short-term pressures, without losing sight of unique opportunities to invest in and retain assets whose benefits are expected to be realized over a longer term.

Our strong firm-wide commitment to sustainable investing and institutionalizing our approach is important for realizing this potential. We have developed a holistic approach to sustainable investing, leveraging our capital, influence, and capabilities to preserve and enhance long-term value. It is reflected and described in our recently updated Sustainable Investment Policy.

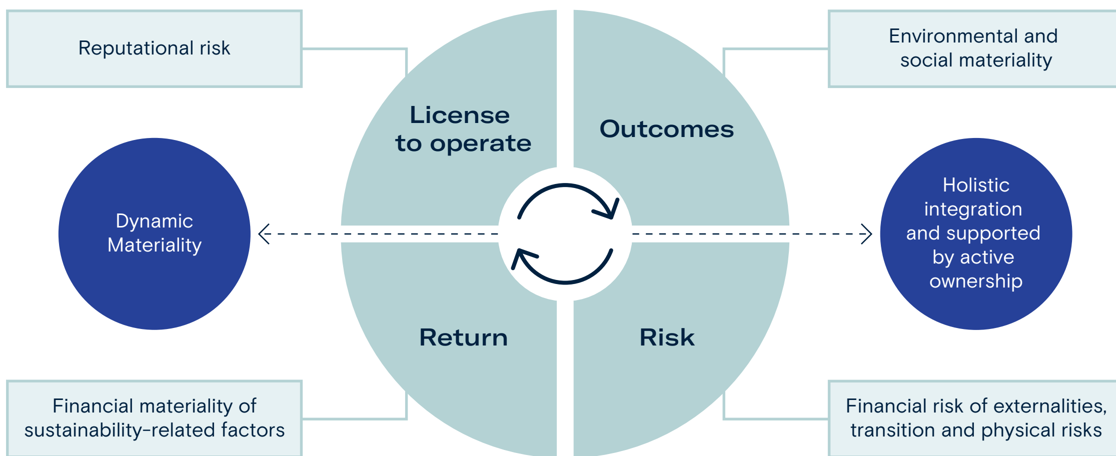
Our approach to sustainable investing encompasses four intertwined dimensions centered around dynamic materiality:

- **Risk** — applying a holistic risk lens, which includes non-financial risk factors stemming from a changing world
- **Returns** — integrating sustainable investing principles with the aim of building resilience, identifying new opportunities, adding value to investments and improving long-term return
- **License to operate** — considering material reputational risks that may affect a sector's or a company's social license to operate or our own reputation and commitments
- **Outcomes** — evaluating the impacts of our investments on society and the environment (known as the double materiality), as we have done with our Climate Strategy Roadmap and disclosed in our fiscal year 2023 Climate-related Financial Disclosures report (fiscal year 2023 TCFD Report).

> We have developed a holistic approach to sustainable investing, leveraging our capital, influence and capabilities to preserve and enhance long-term value.

The valuation of a company's intangible assets is determined by several factors, including corporate reputation, adherence to environmental, social and governance (ESG) principles, licence to operate, systemic risks, materiality considerations, and the company's resilience and adaptability. Institutional investors, through active ownership, can play an important role in assessing and mitigating these risks. By promoting transparency, ESG adherence, good governance practices, considerations of systemic risks, and fostering resilience and adaptability, institutional investors could help protect and enhance a company's intangible asset value.

The four dimensions of long-term sustainable investing



The recognition of dynamic materiality has become even more relevant in a world of increasing uncertainty. This approach emphasizes that materiality is an evolving and unpredictable process, and what may appear financially immaterial today could rapidly become business-critical tomorrow. By adopting a dynamic materiality lens, investors can better understand the potential impact of sustainability-related factors on financial performance and make informed investment decisions that support long-term value creation.[4]

By way of example: we might choose to invest in a higher-carbon asset with a credible transition plan, knowing that it will require monitoring, measurement and active ownership to seek successful financial and non-financial outcomes. However, over the course of our ownership, material transition and physical climate risks can arise jeopardizing an asset's ability to align with a profitable transition to net zero. These risks can take many forms, brought on by changes in technology, regulation, quality of management, geo-political factors, natural hazards, and more. We therefore believe that resilience and adaptation are important attributes for successful value creation across all investments—and especially climate investments.

Our approach to sustainable investing does not replace the customary risk-return investment analysis; rather, it supplements it. It is rooted in diversity of thought, common sense, pragmatism, applied science, rigorous real-world research, due process and clear communication.

We strive to find common ground and foster shared understanding as investors, with the ultimate goal of becoming more knowledgeable, insightful and better long-term investors.

Our SCI group is working to embed this approach across our asset classes, through our new hub-and-spoke model and Climate Innovation Summit, and supported by data and analytics, policies, training and communication. We are expanding our research capabilities and will start building insights in biodiversity and new standards like the Taskforce on Nature-related Financial Disclosures, among other relevant topics including social matters.

A final comment on clarifying the terminology in this report; we use *sustainability* as a broad concept as defined by the International Sustainability Standards Board (ISSB).[5] We use *climate* sometimes separately when referring to sustainability matters that are specific to climate, including the transition to net zero.

Herman Bril
Managing Director and
Head of Sustainability and Climate Innovation

[4] For more information, please refer to "Double and Dynamic: Understanding the Changing Perspectives on Materiality" (SASB).
[5] www.ifrs.org/news-and-events/news/2022/12/issb-describes-the-concept-of-sustainability

2023 Sustainability Highlights

Climate change and Green Asset Taxonomy[6]

16.2%[7]
of AUM considered to be green assets[8] ($48.9B)

2.6%
of AUM considered to be transition assets[9] ($7.8B)

54%
of carbon footprint covered with company-reported GHG emissions data

12%
year-over-year increase in total fund GHG emissions data coverage[10]

Investment analysis and decision-making

The SCI group conducted sustainability-related reviews of:

114
prospective direct investments (private markets and alternative investments in capital markets)

138
prospective publicly listed companies

39
external managers and general partners

Active ownership

Launched
our inaugural sustainability-related data collection initiative with outreach to the majority of our private markets portfolio

Voted
at **5,760** shareholders' meetings on **58,872** resolutions

Engaged
where appropriate, with **860** listed companies on key sustainability-related issues

Involved
43 real estate partners globally in gathering sustainability-related data for more than **1,200** of our privately owned properties

Conducted
an inaugural farm-level data collection exercise covering **3 million** hectares of farmland and timberland on more than **400** individual properties globally

Governance

Updated
- our Sustainable Investment Policy
- our Corporate Governance & Proxy Voting Principles and Guidelines

CIS
Established the Climate Innovation Summit (CIS), a transversal group focused on advancing our climate strategy and knowledge-building across asset classes

[6] For further information on Climate change and Green Asset Taxonomy, please refer to PSP Investments' fiscal year 2023 TCFD Report and Green Asset Taxonomy Whitepaper.
[7] Note that PSP Investments' fiscal year 2022 percentage considered green and transition are not comparable due to methodological changes in the assessment of Assets Under Management (AUM). On a like-for-like basis, in fiscal year 2022, 16.6% of AUM would be considered green assets and 2.3% would be considered transition assets.
[8] Green assets – Investments in low-carbon activities that lead to positive environmental impacts.
[9] Transition assets – Investments that have committed to make a substantial contribution to the low-carbon transition through the establishment of public targets and disclosure practices.
[10] Direct (Scope 1) and Indirect (Scope 2) GHG emissions of our portfolio companies.

Key achievements and priorities

We made progress on our top sustainability priorities.

PSP Investments' pragmatic, data-driven approach to sustainable investment helps us with delivering on our mandate. In fiscal year 2023, we have continued to make progress on our priorities, demonstrating our commitment to strive to become a better institutional investor. We have clear plans for the next steps on our journey, as we continue to integrate sustainability principles into our investment strategies, processes and operations.

Acting on our climate strategy

We made progress toward our climate targets using our Green Asset Taxonomy across the total fund, improving access to climate-related data, and embedding material climate change considerations into our business and decision-making tools to support the achievement of our mandate.

- Published a white paper outlining how PSP Investments implements its Green Asset Taxonomy with the aim of increasing transparency and promoting market convergence.
- Released our inaugural Green Bond impact report linked to the issuance of our first green bond of $1 billion.
- Joined Climate Engagement Canada, an investor-led initiative that facilitates dialogue between finance and industry to promote a just transition to a net zero economy.

Please see “Advancing our climate capabilities,” page 11, to learn more about our climate strategy and recent progress.

Fiscal year 2024 priorities

We seek to continue advancing our climate capabilities by further integrating climate change dimensions across all aspects of our operations, including our portfolio construction process and throughout the investment lifecycle, with the aim to increase the climate-change resiliency of our portfolio. We also strive to advance the development of asset class specific climate-investing strategies aligned with the organization’s common climate themes and targets.

Data-driven approach to integrating sustainability-related factors into our decision-making

We improved our access to sustainability-related data in private markets and increased the scope of data collected across our total fund to enhance our understanding of the links between sustainability and financial performance.

- Rolled out an inaugural total fund sustainability-related data collection process, covering key performance indicators in the areas of climate change; DE&I; business ethics; cybersecurity and data privacy; and human capital management.
- Enhanced the sustainability-related metrics section of investment recommendation memorandum templates, adding specific callouts for alignment with our climate strategy and greater emphasis on DE&I.
- Created sustainability-related due diligence tools aiming to better support investment professionals in integrating material sustainability-related considerations into the investment process (including both Bloomberg tear sheets and a private markets sustainability-related due diligence tool).

Fiscal year 2024 priorities

We intend to further enable firm-wide access to credible, high-quality sustainability data and knowledge by formalizing and institutionalizing sustainability-related data collection efforts and improving processes and technologies to enhance analysis and benchmarking capabilities.

Advancing our sustainable investing approach

We advanced our sustainable investing approach by expediting the implementation of the hub-and-spoke operating model.

- Designed and started to roll out our hub-and-spoke model for integrating sustainability-related factors, providing tools, resources and training to transfer greater responsibility and ownership to investment professionals.
- Leveraged our cross-asset class Climate Investing Workgroup (CIW) to advance collaboration on climate investing opportunities and build knowledge of key climate investing themes.
- Continued to engage with other organizations to support the promotion of sustainable investment best practices and trends, including the Sustainable Finance Action Council (SFAC), the UN PRI Private Debt Advisory Group, and the Investor Leadership Network (ILN).

Please see Deploying a hub-and-spoke model page 20, to learn more about how we are scaling up our sustainability practices.

Fiscal year 2024 priorities

We will continue our efforts to mainstream sustainable investing across the organization by further embedding a sustainability mindset within asset classes and corporate functions. This will include further promoting cross-functional knowledge-sharing and collaboration on sustainability-related topics, and providing access to tools, resources and educational opportunities.

Advancing our climate capabilities

We are determined to play a meaningful role in supporting the global transition to net-zero emissions.

As a global investor, we are committed to playing a meaningful role in supporting the transition to net-zero emissions by the way we allocate capital and use our influence.

Within the context of our mandate, we are striving to align our investment and engagement strategies across all asset classes to contribute to the Paris Agreement.

For example, in fiscal year 2023, our Natural Resources group, with the support of a technical consultant, carried out asset-level GHG data collection with local operating portfolio company partners across six countries. This initiative covered over three million hectares of farmland and timberland across more than 400 individual properties and included crops such as timber, tree nuts, vineyards, fruit, grain, cotton and animal protein.

The primary goal was to establish a portfolio-wide baseline for GHG emissions (Scope 1 and 2), using data collected at the farm level. This information was obtained for wholly owned platforms and is being utilized to develop and implement a roadmap for decarbonization. The roadmap will help reduce GHG emissions and establish science-based transition plans for portfolio companies.

This climate analysis is intended to be incorporated into the Farmland Management Standard pilot program being led by Leading Harvest, a non-profit organization that prioritizes sustainable agriculture. The Farmland Management Standard is a third-party assurance program that aims to establish a uniform method for measuring and reporting sustainability across the agriculture and food production industries.

Progress on our climate strategy

Our efforts in fiscal year 2023 focused on laying the foundation for the implementation of our climate strategy. Our primary goal is to utilize our capital and influence to support the transition to global net-zero emissions by 2050. We have set short-term targets that are intended to be achieved by the end of fiscal year 2026. These include targets aimed at:

- Increasing investments in green assets to $70.0 billion
- Ensuring that assets representing 50% of our carbon footprint have commitments to implement mature transition plans
- Increasing investments in transition assets to $7.5 billion
- Steering at least 10% of our long-term debt financing toward sustainable bonds
- Reducing holdings of carbon-intensive assets that lack transition plans by 50% (against a 2021 baseline)
- Undertaking efforts to obtain Scope 1 and Scope 2 GHG data for 80% of the in-scope portfolio of our carbon footprint

We are proud to have established a climate strategy that includes specific and measurable targets that aim to increase our exposure to green and transition assets over time, reduce exposure to carbon-intensive assets without credible transition plans, and promote active ownership of transition planning. We have also established specific targets related to promoting GHG emissions data collection and playing an active role in the green bond market.

Performance against our targets is provided in summary form on page 14 of this report and in more detail in our fiscal year 2023 TCFD Report.

Using our capital and influence

We continue to collect GHG data from across our private markets' investments. In fiscal year 2023, our engagement efforts helped lead to a 12% increase in reported Scope 1 and Scope 2 data coverage. Obtaining reported data is important for improving the quality and accuracy of our climate-related reporting and disclosures.

In addition to collecting GHG data, we engaged with many partners and portfolio companies to develop credible sustainability strategies and, where relevant, climate transition and adaptation plans. For example: a large port operator group in the United Kingdom in which we are a shareholder has announced its commitment to achieve net zero in its operations by 2042, starting with an interim target of achieving carbon neutrality on Scope 1 and 2 emissions by 2032. In the telecommunications sector, we are a shareholder in a large, global platform that has committed to reach net zero carbon emissions by 2030. Our portfolio company is working to create interim reduction targets that are in alignment with the Science Based Target initiative (SBTi) methodology, which defines and promotes emissions reduction in line with climate science.

We are working to incorporate material climate change considerations into our portfolio construction process. Our Office of the Chief Investment Officer (CIO) has collaborated with our asset classes to update key economic assumptions, including long-term capital market assumptions, to align with PSP Investments' climate change strategy. This effort is aimed at establishing a top-down approach to achieving our climate strategy objectives and ensuring continued focus on execution, which is one of the key priorities of our fiscal year 2024 corporate plan.

In fiscal year 2023, our engagement efforts led to a 12% increase in reported Scope 1 and Scope 2 data coverage. Obtaining reported data is important for improving the quality and accuracy of our climate-related reporting and disclosures.

Green Asset Taxonomy update

We achieved our transition assets target sooner than expected.

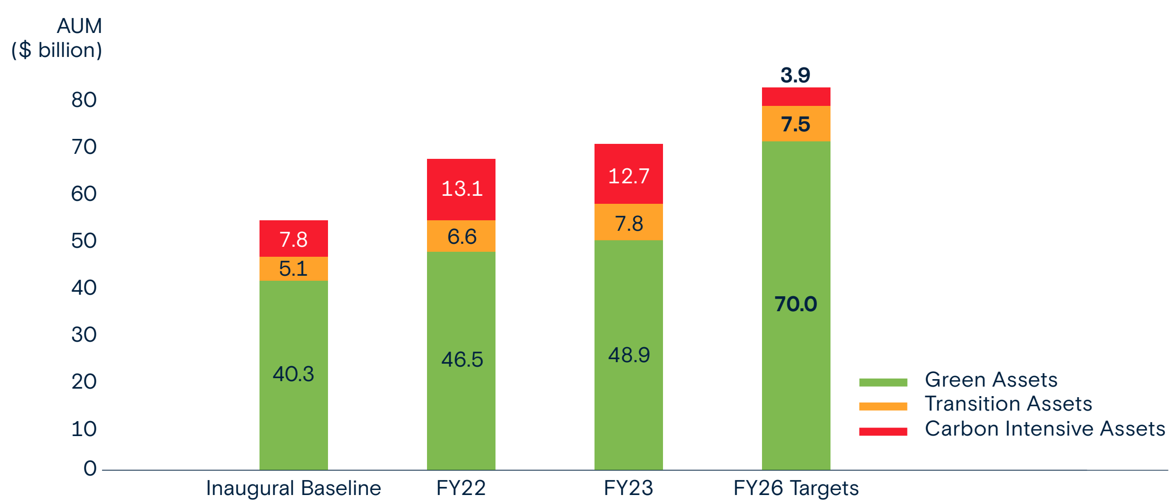
Our 2023 survey of the portfolio against our Green Asset Taxonomy revealed increased exposure in fiscal year 2023 to green and transition assets compared to fiscal year 2022 and our inaugural September 2021 baseline. Since first implementing the Green Asset Taxonomy, we have identified more eligible transition assets than originally anticipated, and as a result, reached our target of increasing investments in transition assets to $7.5 billion earlier than expected.

Our total fund data coverage for the Green Asset Taxonomy is steadily climbing as well: from 47% in fiscal year 2022 to approximatively 54% in fiscal year 2023. We remain focused on achieving our goal of 80% coverage by fiscal year 2026.

Our carbon-intensive exposure has also slightly decreased compared to fiscal year 2022. We believe this is primarily due to more intensive asset-level data collection and improved methodology, and as a result, being able to map more AUM against the Green Asset Taxonomy. We aim to utilize our capital and influence to seek to ensure that assets representing 50% of our carbon footprint have commitments to implement mature transition plans. Our focus for the upcoming year is on starting to introduce sector-specific guidance on transition planning. We aim for this initiative, known as the PSP Investments Transition Playbooks, to be implemented company-wide with leadership and coordination from the SCI group.

We made significant methodological and process improvements in the past year, which have contributed to changes in green, transition, and carbon-intensive assets, as defined under our Green Asset Taxonomy. These improvements include expanding the in-scope assets to include listed fixed-income investments; applying more stringent criteria for dark green assets in the real estate portfolio in alignment with the Climate Risk Real Estate Monitor (CRREM) decarbonization pathways; reclassifying a material number of positions from “no data” to “carbon intensive” on the basis of asset-level data collection efforts; and reclassifying a large individual asset from carbon-intensive to transition asset based on its newly established asset-level targets. For more information on PSP Investments' Green Asset Taxonomy methodology and approach, please see our fiscal year 2023 TCFD Report.

Our total fund data



Next steps on our climate collaboration

We established the Climate Investing Workgroup (CIW) in 2022 as a dedicated multi-asset class team focused on accelerating implementation of our climate strategy. The CIW's mandate was to build climate-related knowledge across asset classes, regularly review a consolidated pipeline of climate-related opportunities, and support the execution of identified climate priorities in the portfolio.

In its first year, the CIW is considered to have successfully delivered on its mandate, sharing knowledge, coordinating efforts and incubating sector investing. Building on our first commitments to the TPG Rise Climate and Brookfield Global Transition Fund in fiscal year 2022, we have closed additional climate fund commitments to best-in-class managers, which were reviewed by the CIW's multi-asset class deal teams. Notable commitments include Generation's Just Climate fund in early fiscal year 2024, which prioritizes solutions for the highest-emitting, hard-to-abate industries that have the potential for outsized emissions abatement in this decade.

Building on its success, the CIW has now been integrated into the SCI group as part of the Office of the CIO. The updated purpose of the group is to support our corporate objective to advance climate capabilities and strengthen the organization's position in sustainable investing. CIW has been rebranded as the Climate Innovation Summit (CIS) and includes representation from asset classes, the Office of the CIO, and other parts of the business. Members meet at least four times a year to foster transversal collaboration on the alignment and direction of the climate strategy, knowledge sharing, and thought leadership. Ultimately, the asset classes are taking greater responsibility for creating a climate investment pipeline and for underwriting climate deals.

PSP Investments' inaugural Climate Innovation Summit

Climate-related Financial Disclosures report

PSP Investments has been a longstanding supporter of the Task Force on Climate-related Financial Disclosures (TCFD), which has established recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.

We strongly believe that the TCFD's recommendations foster improved transparency of climate change-related risks and opportunities in financial markets. As a pension investor, we are working to continuously improve and enhance our disclosures in relation to climate change-related financial risks and opportunities. These efforts are aligned with our climate strategy, which includes a focus on improving climate-related reporting and disclosure.

Climate-related risk is increasingly the subject of reporting requirements and regulatory guidance. We welcome the fact that fighting climate change is a key priority of the Government of Canada and are proud members of, and contributors to, the Crown Corporation Community of Practice where we share our experiences around environmental strategies and reporting.

Please see our fiscal year 2023 TCFD Report to learn more about our climate-related financial disclosures.

Our evolving approach to sustainable investment

We analyze material sustainability-related risks and opportunities throughout our investment process.

Our sustainable investment approach is anchored by our vision to be an insightful global investor. We strive to maximize long-term, risk-adjusted, sustainable value and to keep abreast of societal norms and value through active ownership to support the fulfillment of our mandate, which includes managing the amounts transferred to us in the best interest of the pension plans[11] contributors and beneficiaries. Our approach to sustainable investing encompasses four intertwined dimensions centered around dynamic materiality. For more information, see *The four dimensions of long-term sustainable investing* on page 06.

As a long-term investor, it is important for us to integrate analysis of material sustainability-related risks and opportunities into our investment process—from our initial investment analysis to post-investment monitoring to exit—as a means to generate better returns and lower possible risks across our total fund.

We work to foster understanding of material sustainability-related factors among our investment professionals so that they can support the implementation of our sustainable investment approach. This includes working to ensure that they are appropriately equipped to identify, measure and manage material sustainability-related risks and opportunities through tools, data and analytics.

Disclosure of material sustainability-related risks, strategies, practices, and performance is important for making informed investment decisions. A collaborative effort towards unified and consistent disclosures, such as those promoted by the ISSB, is expected to bring value to investors, companies, and financial markets as a whole. To that end, we encourage our portfolio companies and partners to adopt standardized disclosure practices of material sustainability-related factors within consistent global reporting frameworks.

[11] The pension plans of the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police, and since March 1, 2007, the Reserve Force.

2023 policy updates

Sustainable Investment Policy

In February 2023, we strengthened our Sustainable Investment Policy. Following the arrivals of our new President and Chief Executive Officer and new Head of Sustainability and Climate Innovation, the update was designed to send a clear signal internally and externally that we were on a path to further embedding our approach to sustainability and climate into our investment activities.

The policy states our vision of the four dimensions of our long-term sustainable investing approach and includes material social and environmental outcomes stemming from sustainability-related risks and opportunities that may be considered in our investment activities (e.g., reducing GHG emissions as part of our climate strategy). It also introduces an initial approach to guide how we manage reputational risks, reiterates our belief that active engagement, where appropriate, is usually preferable to exclusion and divestment, and codifies the key elements of our climate strategy.

Corporate Governance and Proxy Voting Principles

We regularly review our Proxy Voting Principles, supporting guidelines and procedures to appropriately address emerging material sustainability-related risks and opportunities. The review conducted in fiscal year 2023 reinforced our belief that boards should have appropriate levels of diversity in the backgrounds, experience and competencies of their directors, as well as policies and targets supporting diversity (this includes diversity beyond gender). We also added guidelines to address CEO succession planning and board responsiveness to shareholders.

These changes are aligned with corporate governance best practices. In line with our commitment to utilize our capital and influence to support the transition to global net-zero emissions by 2050, we also updated our Proxy Voting Principles to communicate our expectation for boards to address climate change. In evaluating say-on-climate proposals, we now expect companies to have interim targets and long-term commitments aligned with the 1.5°C scenario. We also expect companies to have a sound climate-related governance structure, accountability for oversight of climate commitments, and enhanced disclosure of decision-useful information. We have put in place an issuer-based watchlist of companies with the greatest impact on our public equities portfolio's carbon footprint – those classified as high-carbon and hard-to-abate assets without transition plans – and we may vote against director nominations for these companies as a way to hold them accountable.

Investment restrictions and divestment

As a long-term investor, we consider that, where appropriate, active engagement is usually preferable to exclusion or divestment, a process by which certain companies or entire industries can be precluded from consideration for investment based on sustainability-related factors.

However, there are instances where as part of our investment approach we may refrain from investing or decide not to maintain an investment, as shown in the table below.

We may also be restricted from investing in certain sectors presenting heightened material sustainability-related risks. This includes companies offering products or services that are prohibited by international treaties or regulators, and investments in entities and countries financially sanctioned or restricted for investment by Canadian authorities.

Examples of instances where PSP may refrain from investing or decide not to maintain investment

- Material sustainability-related factors that **do not align with our investment beliefs** and the meeting of our mandate
- Material concern about a company's long-term **social licence to operate**
- **Lack of engagement** or strategy by the board or management to prevent or mitigate material sustainability-related issues
- Consecutive **unsuccessful engagement activities** (by PSP or collective efforts)
- Potential to cause or contribute significantly to **negative societal outcomes** (i.e., environmental harm or human rights abuses)

Deploying a hub-and-spoke model

In fiscal year 2023, we began implementing a hub-and-spoke model that mobilizes our investment teams to ultimately take greater ownership and accountability for the integration of sustainability-related factors and strives to ensure that they remain important to our decision-making processes. The model also aims to encourage unlocking the full potential of a sustainability culture among our investment teams throughout our investment lifecycle activities.

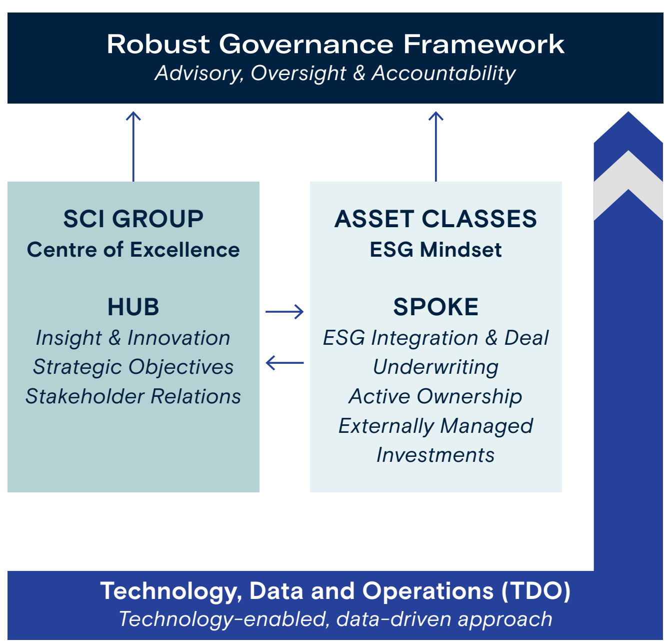
With their deep knowledge, connections and investment acumen, our investment teams are well positioned to identify and take advantage of sustainability-related opportunities to unlock value creation, and thereby help us achieve our climate investing goals and meet our long-term mandate. We are establishing sustainability champions within each asset class as one of the critical ingredients of our hub-and-spoke model. Our SCI group (formerly known as Responsible Investment group) acts as a centre of excellence, supporting the sustainability champions and broader investment teams with training, tools and specialized expertise in complex transactions.

In implementing the new model, we intend to evolve our governance framework. This will include having sustainability champions or SCI group representatives in the deal underwriting and investment decision-making process of each asset class. SCI representation in the portfolio review will also be important as the organization moves toward enhanced sustainable asset management practices.

Another critical aspect of the model is having a much stronger technology, data and analytics infrastructure, which we aim to accelerate through increased collaboration with our internal technology teams. This technology-enabled approach involves using data to better understand and measure the environmental and social impacts of investments, and to identify opportunities for improvement.

Data can be used to track energy consumption, assess the environmental impacts of supply chain activities, and evaluate the social impacts of portfolio companies on local communities. Data analytics can also help identify patterns and trends in sustainability performance and flag areas for improvement. This data-driven approach will help us realize efficiencies, make more informed and evidence-based decisions that support sustainable development, while at the same time increasing returns and lowering emerging sustainability risks.

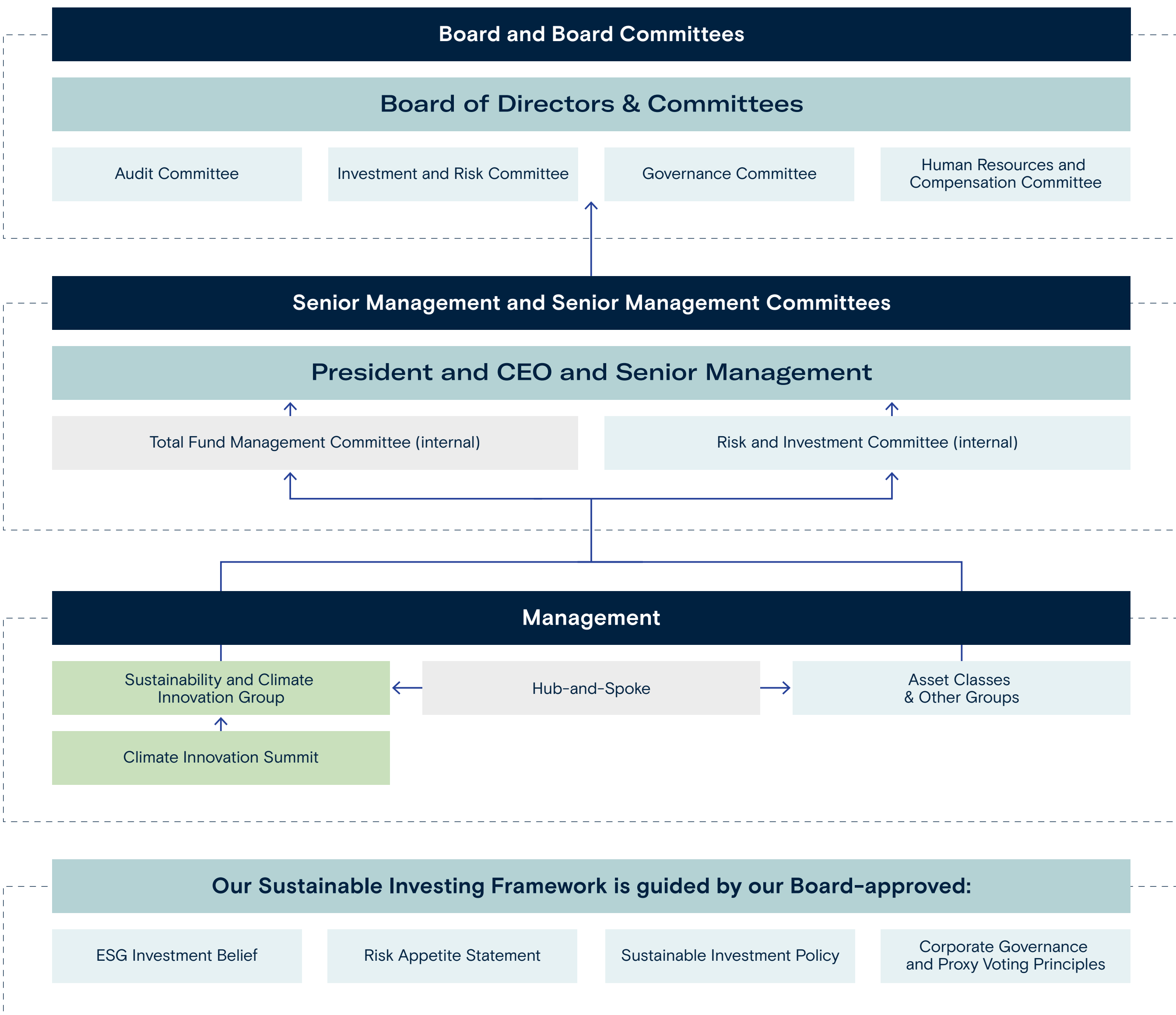
The deployment of a hub-and-spoke model would see the SCI group transform into a centre of excellence to drive leadership and expertise on sustainability and climate while positioning itself more as a support role to asset classes for integration of sustainability-related factors and asset management activities, with the asset classes taking greater ownership and accountability for those activities.



Sustainable investment governance

We strive to uphold high standards of governance for sustainable investment and climate-related risks and opportunities.

Value creation and sustainability depend in part on ethical conduct, a strong risk culture and the integration of material sustainability-related factors into corporate strategies and internal processes. Sustainability accountability and oversight are integrated into our existing governance and management structures, promoting a firmwide approach. Our Board of Directors fully supports our approach to sustainable investment, and sustainability-related topics are presented and discussed at each regular Board meeting. Our Sustainable Investment Policy forms part of the overarching sustainable investing strategy and is reviewed and approved by the Board.



Board and Board Committees

- Assisted by its **Governance Committee,** PSP Investments' **Board of Directors** is responsible for approving and monitoring our approach to sustainable investing, including the management of climate change-related risks and opportunities.
- As part of this oversight, the **Board** approves the Sustainable Investment Policy, and the Governance Committee approves the Corporate Governance and Proxy Voting Principles.
- The **Audit Committee** reviews sustainability disclosure standards and oversees internal controls, including receiving an independent limited assurance report on selected key performance indicators related to climate.
- The **Human Resources and Compensation Committee** aligns the compensation of our CEO and officers with corporate performance objectives, including performance against corporate initiatives such as the advancement of our climate capabilities.
- The **Investment and Risk Committee** (IRC) approves investments and divestments not delegated to the CEO. Sustainability-related risks and/or opportunities are addressed in all investment recommendation documents. The IRC approves the Risk Appetite Statement, which outlines its appetite toward sustainability-related risk.

Senior Management and Senior Management Committees

- The **President and Chief Executive Officer** (CEO), with the support of the **Executive Committee,** is responsible for providing strategic oversight of sustainable investing initiatives, objectives and strategy, as well as related commitments and implications.
- Our **Chief Investment Officer** (CIO) oversees the development and execution of our sustainable investing and climate strategies and related policies and guidelines, and the incorporation of sustainability-related considerations, including climate change, into our portfolio construction.
- The Management **Risk and Investment Committee** (RIC) is composed of senior members of PSP Investments, including the Managing Director and Head of Sustainability and Climate Innovation and is chaired by the Chief Financial and Risk Officer (CFRO). It is responsible for general investment management oversight and the approval of specific investment decisions under its delegated authority. The RIC evaluates transaction-specific underwriting and risk-return considerations, such as material sustainability-related risks and opportunities including climate change and reputational impacts.
- The Management **Total Fund Management Committee** (TFMC) is composed of senior members of PSP Investments, including the CEO and is chaired by the CIO. The TFMC is responsible for approving portfolio construction decisions, including those related to the Green Bond Framework, and ensures the incorporation of sustainability and climate-related factors.
- The **Climate Innovation Summit** (CIS) is housed in the SCI group, as part of the Chief Investment Office. See *Next steps on our climate collaboration,* page 15, for more information.

The **Sustainability and Climate Innovation group** (SCI) is responsible for elevating sustainability-related factors, including climate risks and opportunities, as key value drivers in our portfolio management and investment decisions. It is housed in our Chief Investment Officer group, giving supporting group members the ability to oversee and implement sustainable investment activities across the total fund. Key activities include:

- Developing policies and strategies to ensure alignment with leading practices
- Providing guidance on key sustainability-related themes and trends to the Board, President and CEO, and investment groups
- Supporting our asset classes and overseeing sustainability-related integration at all stages of the investment cycle
- Working with our Technology, Data and Operations (TDO) group to advance a more technology-enabled, data-driven approach to sustainability-related integration
- Pursuing active ownership through proxy voting and engagement activities
- Promoting thought leadership, conducting sustainability research, and delivering climate education, training and awareness to build knowledge and expertise across PSP Investments
- Regularly reporting on sustainable investment activities to the Board's Governance Committee and other stakeholders
- Collaborating, where appropriate, with partners, NGOs and peers

Integration of sustainability-related factors and active ownership framework

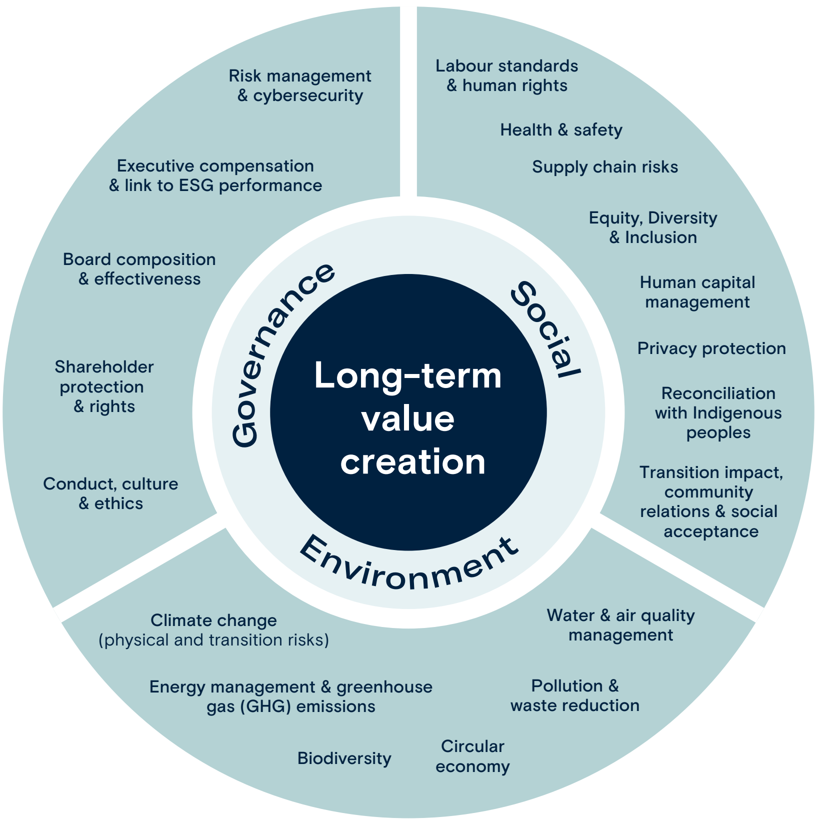
We strive to be pragmatic when applying our sustainable investing approach.

Integration of material sustainability-related factors is one of our core investment beliefs. Recognizing the dynamic nature of materiality, and the differences between asset classes and investment types, we strive to be pragmatic in our approach—tailoring it to local context, and to the commercial imperatives of the companies in which we invest.

As an active and engaged investor, we expect these companies to not only comply with applicable legal and regulatory regimes but to also adhere to relevant best practices when implementing sustainability-related policies that contribute to long-term overall corporate performance.

	Internally managed investments	Externally managed investments
Investment opportunity	Identify key sustainability-related factors and determine due diligence scope	Define due diligence scope based on investment strategy
Investment decision	In-depth assessment of material sustainability-related risks and opportunities	In-depth assessment of manager practices for integration of material sustainability-related factors
Active ownership	Monitoring and re-assessment of sustainability-related risks, opportunities and performance, shareholder engagement and proxy voting	Monitoring and re-assessment of manager practices for integration of material sustainability-related factors and engagement on sustainability best practices

Investing through a sustainability lens



The above diagram illustrates some of the material sustainability-related risks and opportunities we consider when evaluating investments across asset classes, and is based on frameworks from the Sustainability Accounting Standards Board (SASB) and other standard setters. The adoption of SASB standards is considered one of the leading practices for identifying material sustainability factors that are most relevant to financial performance.

In the sections that follow, we provide a more comprehensive view of our approach to integrating sustainability-related factors for internally managed public and private market investments, and for externally managed investments.

Internally managed investments

Investment analysis and decision-making

As part of the investment analysis and decision-making processes for internally managed investments, we look to identify and assess material sustainability-related risks and opportunities, including climate change. Our focus on materiality is aimed at accounting for the most salient sustainability-related factors that could have a significant impact on a company's financial or operating performance. Beyond simply managing risks, we look to capitalize on investment opportunities provided by these factors.

Our approach to integrating material sustainability-related factors is designed to be agile and reflective of the dynamic nature of materiality, recognizing that considerations that may not currently be viewed as material could escalate in the future.

We also look to actively monitor the occurrence of controversies, assess the actions that followed past incidents, and leverage insights from our stewardship activities to better inform our decision-making process. Findings are incorporated into the investment thesis and considered alongside traditional financial factors.

Public markets

When conducting sustainability reviews of publicly listed companies, we start with an analysis of their corporate governance practices, focusing on board composition and effectiveness, executive compensation, and shareholder rights. This governance assessment helps inform decisions on whether or not we will support management when voting on proposals at the company's annual general meeting. We also review a company's overall sustainability risk mitigation framework and management, and assess and monitor any sustainability-related controversies.

Our SCI group performed 138 sustainability-related assessments in fiscal year 2023 to support our Capital Markets' investments across developed and emerging markets.

Case study

Bloomberg tearsheets

The SCI group teamed up with one of the Capital Markets group's key external information providers, Bloomberg, to design an ESG-data cheat sheet on the Bloomberg Terminal®. This customized version of the tearsheet function in Bloomberg's Research Management Solution groups key environmental, social and governance information that the SCI group has been working with and presenting to active equity colleagues, as part of ESG assessments and reviews of potential and held names. Key performance indicators related to board structure and other governance parameters, worker health and safety, and other important ESG metrics are included in the tearsheet, as well as Scope 1 and Scope 2 GHG values.

Private markets

Our approach to sustainability-related due diligence and assessment for in-scope private market investments prioritizes the specific context and the potential impact of material factors. Given the significance of climate change risks, we seek to systematically integrate material climate issues into our due diligence and assessments. Where appropriate, we also engage external experts and consultants to provide additional insight.

The investment recommendation memorandum presented to our oversight investment committees includes a summary of the material sustainability-related due diligence outcomes, including overall conclusions on risks and opportunities as well as associated risk mitigation measures and action plans to address the findings. Where relevant, it also now includes, climate data and other considerations, which support systematic representation of climate change risks and opportunities in alignment with our climate strategy and Green Asset Taxonomy. The due diligence and assessment of material sustainability-related factors and climate considerations may result in turning down an investment opportunity, reviewing the price or implementing action items during the ownership period.

In fiscal year 2023, the SCI group reviewed more than 114 prospective transactions across our private market asset classes that included sustainability-related considerations. The most common material factors raised were employee health and safety, business ethics, climate change risks, product quality and safety, and energy management.

Case study

Sustainability due diligence tool

In support of our ambition to integrate market-leading sustainability practices across the full investment life cycle, the SCI group developed, in collaboration with an external consultant, a bespoke sustainability due diligence tool for analyzing investment opportunities in private markets. The tool strives to support investment teams throughout the investment process, from scoping and analysis through to assessment and final recommendation.

The tool aims to standardize and simplify sustainability due diligence by offering a step-by-step process and automating elements of due diligence where possible. Informed by leading sustainability-related standards and indexes such as SASB, leveraging the tool during due diligence helps to ensure robust identification of material sustainability-related considerations based on deal characteristics and consistency in the integration of sustainability-related factors across our private market asset classes. It also allows for increased climate analytics capabilities and decision-useful insights.

Being an active owner

Where appropriate, we engage with companies to promote sustainable business practices and enhance the long-term returns from our investments.

As an asset owner, we aim to conduct ourselves as an engaged, thoughtful and principle-based investor. We believe that engagement with companies, either directly or in collaboration with like-minded investors, where appropriate, can be an effective way to influence positive changes, reduce investment risks, realize opportunities and drive long-term value creation. Our engagement activities aim to achieve greater alignment between financial returns and sustainable corporate behaviours. They encourage transparency and a commitment to maintaining a company's social license to operate.

Our engagement approach is tailored to the investment type, exposure, investment time horizon, objectives sought and likelihood of success. While it varies for public and private markets, our goal is the same for both—encouraging, through collaboration and open, constructive dialogue, the adoption of sustainable business practices to protect and enhance long-term financial value. We may also determine when and where to engage by leveraging our sustainability-related key performance indicator (KPI) monitoring tools, which allow us to benchmark our investments and drive progress toward sustainability-related improvements and value creation.

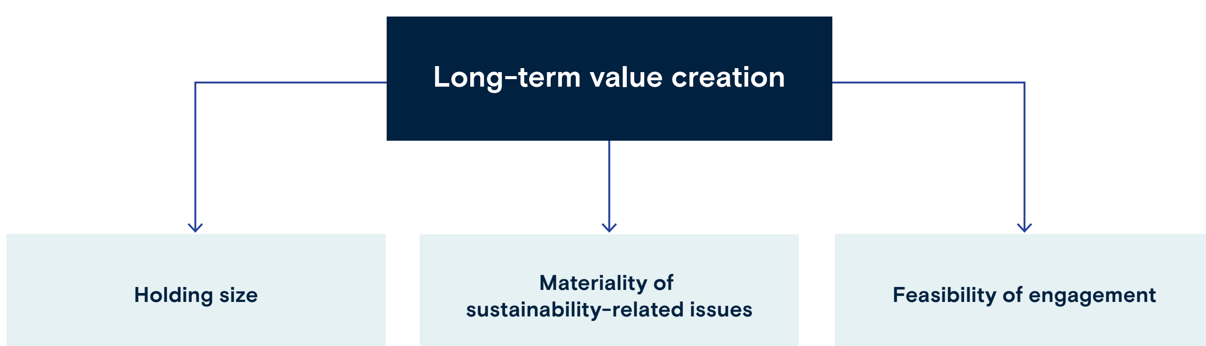
Active ownership of public companies

Engagement
For public companies, where appropriate, we may choose to engage directly with companies, through service providers, or collaboratively with other investors. For individual engagements, our preference is to do so privately.

We rely on constructive, recurring, objectives-driven dialogue to understand a company's approach and strategies for managing emerging trends, mitigating potential risks and seizing opportunities.

Our engagements are focused on the most material sustainability-related risks and opportunities, and companies are selected based on factors such as the size of our holding, the prospects of success and the materiality of the sustainability-related issues.

Engagement selection process



Engagement statistics

We engaged with **860** publicly listed companies whose securities we hold. This was done either directly with the company, with the assistance of a global stewardship service provider, or (where appropriate) in collaboration with like-minded investors or organizations such as the Canadian Coalition for Good Governance.

Companies engaged – by country or region FY23 (%)

36	United States
27	Europe
15	Emerging Markets
14	Asia, Australia & New Zealand
9	Canada

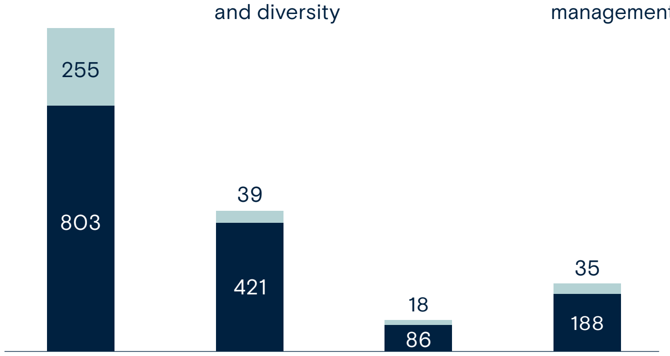
Engagement objectives progress FY23

1,058 Climate change

460 Board composition and diversity

104 ESG reporting and disclosure

223 Human capital management



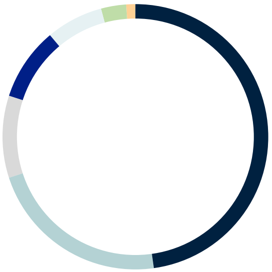
Confirmed progress   Engaged

Proxy voting

We may engage with publicly listed companies through our proxy voting rights. We exercise our voting rights in accordance with our Corporate Governance and Proxy Voting Principles (the Principles), which outline our expectations with respect to corporate governance practices and the sustainability of companies in which we invest. The Principles identify the topics on which we may vote from time to time and inform our voting decisions. We strive to vote at all shareholders' meetings. Our approach is pragmatic and considers local laws, prevailing governance practices and the particular circumstances of a company in the interpretation and application of the Principles.

The election of directors is an important channel for expressing our dissatisfaction when we consider that a company has not adequately taken steps to understand, assess and mitigate sustainability risks, including climate risks. Our Principles are based on our belief that best-in-class corporate governance practices, relevant disclosure and responsible corporate behaviours contribute to the long-term performance of the listed companies in which we invest.

Overview of resolutions on which we voted
Resolutions voted – by topic (FY23) (%)



45	Board and committee composition
23	Routine and business
11	Compensation
10	Capital structure
4	M&A and anti-takeover
4	Shareholders' resolutions
4	Others

The above graph includes auditors and financial

In fiscal year 2023 we voted at 5,760 meetings on a total of 58,872 management and shareholder resolutions. Approximately 13% were votes against management, mainly related to compensation, board composition, and company article issues. Details of our *proxy voting records* are available on our website.

Case study

Director accountability for climate strategy

We have put in place an issuer-based watchlist of companies with the greatest impact on our public equities portfolio's carbon footprint—those classified as high-carbon and hard-to-abate assets without transition plans—and we may consider voting against director nominations for these companies as a way to hold them accountable. When evaluating a waste management company included on our watchlist, we identified issues with the board's approach to setting targets and articulating its outlook on future climate strategy-related plans. As a result, we voted against a director at the company's annual general meeting. Following the proxy voting season, we intend to engage with the company on this issue.

Active ownership of private investments

For private market investments, we seek to leverage our direct access to portfolio companies to seize opportunities to improve sustainability-related performance over time with the goal of protecting and enhancing long-term financial value and reducing negative societal outcomes such as GHG emissions.

We regularly monitor assets and, where appropriate, engage directly with boards and management on material sustainability-related risks or opportunities, including climate change. For investments where we have board representation, we have an opportunity to contribute to influencing a company's decision-making including its management of sustainability-related factors and climate disclosure and transition plans. For investments where we do not hold a board seat, we seek to work closely with co-shareholders and constructively communicate and collaborate with the company and management to encourage the adoption of sustainability best practices.

In the face of continued disruption in the global economy, many private market investors are focused on building sustainable and resilient businesses. We view the current situation as an opportunity to further integrate sustainability-related factors into our asset management practices and drive positive outcomes through direct and collaborative engagement.

In line with our focus on leveraging sustainability-related data, we deployed our inaugural annual collection of sustainability-related KPIs from our portfolio companies in the areas of climate change, DE&I, business ethics, cybersecurity and data privacy, and human capital management. This initiative supports increased measurement and management of sustainability-related outcomes resulting from our private market activities and operations. It adds an additional analytical lens that can support better understanding of the relationship between sustainability and financial performance and elevate sustainability-related factors as key value drivers or considerations in our portfolio construction and investment decisions. This structured approach to monitoring sustainability-related KPIs facilitates more informed engagement with our portfolio companies and assets on how we can drive shareholder value, while seeking to generate positive impacts for society and the environment.

Update on cybersecurity

We observed a general worsening of the cyber threat landscape, both in the number of threat actors and in the sophistication of attacks, across all industries in fiscal year 2023. This has highlighted the importance of cyber risk management and cyber resilience, and the need to have adequate oversight over cyber risks within our portfolio. In fiscal year 2023, the Investment Cyber Risk (ICR) practice completed detailed cybersecurity assessments for all wholly owned subsidiaries and certain controlled entities, and began the assessment process for two higher-risk assets.

We also provided guidance at the pre-deal stage to help our asset classes identify and assess the cyber risk in their new opportunities.

Externally managed investments

We expect external managers and general partners to approach sustainable investing in a manner that's consistent with ours.

For the portion of our capital allocated to mandates and funds managed by external managers and general partners, we expect the approach to integrating sustainability-related factors to be consistent with our Sustainable Investment Policy and requirements. We strive to systematically review the sustainability practices of our external managers and general partners both at the onset of an investment and during the investment lifecycle. By conducting these reviews and engaging in dialogue with our partners, we seek to share best practices and encourage the adoption of more robust sustainability procedures and processes.

Investment opportunity

Our in-house proprietary sustainability assessment framework for external managers and general partners evaluates sustainability practices in three key pillars – Policy & Resources, Investment Process, and Reporting & Leadership – and across more than 40 indicators.

The framework includes climate change and DE&I considerations, both at the firm level and within investment activities, to understand the processes and performance of the managers in these two key areas.

In line with our shift to a more data-driven approach, the SCI group provides quarterly reports to PSP Investments' Board on the sustainability ratings and progress of external managers and general partners.

Sustainability assessment framework

Policy & Resources

Policy | Resources

- Sustainable or responsible investment policy
- Sustainability-dedicated resources (internal, external)
- Sustainability-related training

Investment Process

Pre-investment | Investment Decision | Ownership & Engagement

- Systematic identification of material sustainability-related factors
- Inclusion in decision-making process
- Post-investment monitoring and engagement

Reporting & Leadership

Reporting | Leadership Activities

- Sustainability reporting to investors
- Participation in industry events and initiatives, and best practice support

Sustainability Building Blocks

Climate Change

- Climate change strategy or guiding principles
- Systematic identification of risks and opportunities related to climate change
- Tracking of portfolio carbon footprint
- Disclosures aligned with the TCFD recommendations

Diversity, Equity, and Inclusion (DEI)

- Systematic identification of risks and opportunities related to DEI practices
- Tracking of portfolio company diversity metrics

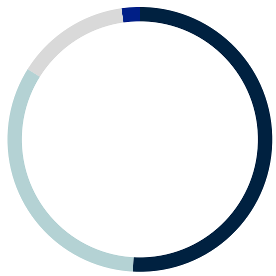
Investment decision-making and active ownership

In fiscal year 2023, we assessed external manager and general partner integration practices during the due diligence of 34 new fund investment and externally managed mandate opportunities and reviewed five existing external managers for changes in their practices.

Our assessment characterizes the robustness of a firm's sustainability practices as leading, active, needs improvement or just starting. This rating then helps us determine the appropriate level and intensity of engagement with each organization.

We have continued to see steady progress in the adoption of sustainability best practices by the majority of our external managers and general partners.

Sustainability ratings for external managers and general partners[12] (%)



51 Leading
33 Active
14 Needs Improvement
2 Just Starting

[12] Third parties that manage funds on behalf of PSP Investments, approved by our Board's Investment & Risk Committee.

Fast facts about our external managers and general partners[13]

84% of our exposure to externally managed investments is managed by external managers and general partners who have leading or active approaches to integrating sustainability-related factors and applying sustainability-related principles firmwide.

- ~71% are UN Principles for Responsible Investment signatories[14]
- ~36% are TCFD Supporters[14]
- ~68% have dedicated ESG staff and/or an ESG committee/working group[14]

[13] Third parties that manage funds on behalf of PSP Investments, approved by our Board's Investment & Risk Committee.
[14] Out of our approved external managers and general partners.

Real Estate Sustainable Development Framework

Recognizing that the greatest opportunity to influence a real estate development is at the onset, our SCI and Real Estate groups collaborated on the design and implementation of a Sustainable Development Framework (SDF) to support more consistent and systematic integration of material sustainability considerations into the development process. The SDF addresses 13 high-priority sustainability-related topics, aligned with our priorities, standards and value drivers. They include material climate change physical and transition risks, occupant wellness, local impact, resilience and procurement. By formalizing and communicating our sustainability expectations, the SDF is a powerful tool for driving engagement and promoting alignment on sustainability between PSP Investments and our partners.

The SDF helps to ensure material sustainability aspects are considered within developments and that best practices are implemented based on evolving trends, regulatory requirements and stakeholder expectations. This process serves to educate and empower our investment teams to ask the right questions at the right time to effect change, create value and enable our investment partners to better account for sustainability-related considerations and make the best decisions possible. Informed by leading standards and industry best practices, the SDF is intended to be a living document that can be updated over time to address industry evolution and emerging sustainability-related risks and opportunities in real estate.

Leadership and collaboration

We actively collaborate with partners, other institutional investors, industry associations, and NGOs, to address sustainable investment challenges.

Our collaborative efforts focus on enhancing impact, improving transparency, establishing standards for sustainability-related data and disclosures, conducting research, engaging in sustainability-related regulatory consultations, promoting good governance practices, and advocating for long-term thinking. Together, we strive to drive positive change in both the investment and corporate realms.

Highlights of our collaboration efforts

Sustainable Finance Action Council

PSP Investments is contributing to various working groups under the Sustainable Finance Action Council (SFAC). Members of our SCI group are directly involved in the SFAC Data Technical Expert Group. PSP Investments has also provided comments on the SFAC Taxonomy Roadmap draft report under the SFAC Taxonomy Technical Expert Group (TEG).

Investor Leadership Network (ILN)

Members of our SCI group actively participated in the ILN's September 2022 release of the "Net Zero Investor Playbook," which synthesizes the current landscape of relevant investor-specific frameworks and methodologies, and includes case studies from ILN members on their customized implementation approaches. We provided a case study on our bespoke Green Asset Taxonomy and how it supports portfolio decarbonization efforts and the global transition to net-zero emissions by 2050.

UNPRI Private Credit Advisory Committee

In 2022, PSP Investments joined the UN PRI Private Credit advisory committee. The committee seeks to promote best practice among private debt investors in incorporating ESG factors in investment decisions and monitoring, with a focus on ESG data and climate change. Its goals are to provide guidance to the private debt market on how ESG integration can both reduce risk and drive positive ESG outcomes; to build and leverage partnerships between private debt and private equity investors to minimize unnecessary duplication of efforts and promote appropriate knowledge sharing; and to encourage peer-to-peer learning and networking for private debt investors and private equity sponsors.

ESG Data Convergence Initiative

Started by Carlyle and CalPERS, the ESG Data Convergence Initiative (EDCI) supports the streamlining of ESG metrics in private markets and provides a mechanism to enhance the quality, availability and comparability of ESG data in those markets. Having joined the EDCI in 2021, we have since become an active member of its Steering Committee and senior members of our SCI and Credit Investments groups co-chair the private credit working group. The purpose of this working group is to consider how private credit investors can access ESG data and how EDCI can engage with private credit firms. We are also active participants in the net zero metric selection working group.

ESG Integrated Disclosure Project

In November 2022, a group of leading alternative asset managers and industry bodies in the private and broadly syndicated credit markets, including PSP Investments, launched the ESG Integrated Disclosure Project template. Acting as a representative of EDCI, we actively contributed to this initiative which aims to enhance transparency and consistency for both private companies and credit investors by providing a voluntary, consistent format for ESG-related disclosures.

Cautionary Statements Regarding Sustainability-Related Data, Metrics and Forward-Looking Statements

In preparing the sustainability-related information contained in this report, PSP Investments has made a number of key judgements, estimations and assumptions. The processes, methodologies and issues involved are complex. The sustainability data, models and methodologies used are often relatively new, are rapidly evolving and are not of the same standard as those available in the context of financial and other information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. It is not possible to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess, and we expect industry guidance, standards, market practice and regulations in this field to continue to evolve. There are also challenges faced in relation to the ability to access data on a timely basis and the lack of consistency and comparability between data that is available. This means the sustainability-related forward-looking statements, information and targets discussed in this report carry an additional degree of inherent risk and uncertainty.

In light of uncertainty as to the nature of future policy and market response to climate change and other sustainability-related issues, including between regions, and the effectiveness of any such response, and as market practice and data quality and availability develops, PSP Investments may have to update the models and/or methodologies it uses, or alter its approach to sustainability analysis and may be required to amend, update and recalculate its sustainability disclosures and assessments in the future, its sustainability ambitions, goals, commitments and/or targets or its evaluation of its progress towards its sustainability ambitions, goals, commitments and/or targets. Revision to sustainability data may mean it is not reconcilable or comparable year on year.

This report contains a number of graphics, infographics, text boxes and illustrative case studies and credentials which aim to give a high-level overview of certain elements of this report and improve the accessibility of the report for readers. These graphics, infographics, text boxes and illustrative case studies and credentials are designed to be read within the context of the report as a whole.

The information in this report includes non-financial metrics, estimates or other information that are subject to significant uncertainties, which may include the methodology, collection and verification of data, various estimates and assumptions, and underlying data that is obtained from third parties. The information contained within this report has not been independently verified or assured.

The report contains certain forward-looking statements with respect to PSP Investments' sustainability targets, commitments, ambitions, climate-related scenarios, processes, plans, and the methodologies we use, or intend to use, to assess our progress ("sustainability-related forward-looking statements"). These sustainability-related forward-looking statements reflect management's assumptions, expectations, objectives, strategies and intentions as of the date of this report. These sustainability-related forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "estimate," "project," "expect," "plan," "goals," "targets," and similar terms and expressions.

By their nature, sustainability-related forward-looking statements require assumptions to be made and involve inherent risks and uncertainties. As a result, PSP Investments cannot guarantee that any forward-looking statement will materialize, and its future investment activities may vary from those outlined herein. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

Sustainability-related forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to the following:

- changes in the sustainability regulatory framework in which PSP Investments operates, including government approaches and regulatory treatment in relation to sustainability disclosures and reporting requirements;
- the impact of legal or other proceedings against PSP Investments or others in the industry;
- climate change projection risk including, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- amendments to or new sustainability reporting standards, models or methodologies;
- changes to and challenges with sustainability data availability, quality, accuracy, and verifiability which could result in revisions to reported data going forward; and
- climate scenarios and the models that analyze them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty.

Actual results and developments may differ materially from the expectations disclosed or implied as a result of factors including those outlined above. All subsequent written or oral sustainability-related forward-looking statements attributable to PSP Investments or any persons acting on its behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the sustainability-related forward-looking statements in this report will be realized. Subject to compliance with applicable law and regulations, PSP Investments does not intend to update these sustainability-related forward-looking statements and does not undertake any obligation to do so.

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