



RESPONSIBLE INVESTMENT POLICY

February 2020

1. Who we are and what we do

The Public Sector Pension Investment Board (“PSP Investments”)¹ is one of Canada’s largest pension investment managers. We are a Canadian Crown corporation that invests funds for the pension plans of the federal public service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force (the “Pension Plans”).

PSP Investments’ mandate is to manage the pension funds transferred to it by the Government of Canada in the best interest of the contributors and beneficiaries, and to maximize investment returns without undue risk of loss, having regard to the funding, policies and requirements of the Pension Plans.

The Funding Policy for the Pension Plans states an expectation that PSP Investments will describe in its Statement of Investment Policy Standards and Procedures, and other publicly available documents, how environmental, social and governance (“ESG”) factors are incorporated into the PSP Investments’ investment practices.

Our Responsible Investment Policy (the “Policy”) forms part of our overarching responsible investment strategy and has been reviewed and approved by our Board of Directors. This Policy articulates our approach with respect to how we integrate ESG factors into our investment process and how we work as active stewards of the assets we own.

2. Our Beliefs

At PSP Investments, our responsible investment approach is aligned with our investment mandate and our total fund perspective. At the center of our responsible investment approach is the investment belief that identifying, monitoring and capitalizing on ESG factors is material to long-term investment performance. As a long-term investor, we believe that managing ESG factors contributes to a better total fund long-term performance, by helping in finding new opportunities, steering our capital toward more attractive areas and mitigating key risks.

We believe that companies who effectively manage material ESG risks and opportunities are more likely to perform better over the long-term. A high performing board of directors and good governance are the foundation to sustainable business practices. A well-sized and diverse board with the proper balance of skills, expertise and independence is critical to a company’s long-term success. It is the board of directors that is ultimately responsible for overseeing corporate strategy and this oversight requires a full understanding on the materiality of impact that ESG factors may have on a company’s competitiveness, risk profile, resilience and, ultimately, long-term viability. We believe that strong governance, and effective management of relevant environmental and social factors increase the likelihood that companies will perform well over the long-term while managing risk and capitalizing on opportunities.

¹ In this document, *we* and *our* refer to PSP Investments

3. Our ESG lens

As a long-term investor, we proactively address ESG factors as part of our investment strategy, including the following:

General ESG Framework



Environmental factors capture both the impact of a company's activities on the ecosystem and the ecosystem's impacts on the company.

Social factors focus on the impact that a company has on a community or society as a whole, as well as the impact of a community or society on the company.

Governance factors assess how companies are governed, in areas such as board composition and effectiveness (e.g., skillset, diversity, board renewal and independence); executive compensation; and business ethics, including anti-bribery, corruption and whistleblower programs.

4. Our Approach

PSP Investments' responsible investment approach is anchored by our commitment to act in the best interests of our contributors and beneficiaries by protecting and enhancing the value of our investments over the long-term.

It is crucial for us as a long-term investor to integrate analysis of ESG risks and opportunities, including climate change, in our investment due diligence and asset management processes across all asset classes. We review relevant company documents and other public disclosures and research materials provided by external service providers prior to finalizing our ESG assessment. We focus on identifying material ESG risks and opportunities, being those we determine to have the potential to impact a company's ability to create or preserve long-term value. Meaningful disclosure in respect to ESG risks, strategies, practices and performance allows us to make informed investment decisions. As an investor, we require consistent, comparable and high-quality information in order to accurately assess how a company manages its material ESG-related risks and opportunities. We encourage standardized disclosures of material ESG factors within consistent global reporting frameworks.

We recognize that the materiality of ESG factors varies across companies, industries, geography and time. Accordingly, we take a pragmatic view when applying our approach to responsible investing taking into account the asset class and type of investment. This approach is tailored to local social and legal environments, 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 the applicable legal and regulatory regimes but to also adhere to international good practices while implementing ESG policies that contribute to long-term overall corporate performance.

In order to guide our investment due diligence and asset management in the context of emerging risks and trends, we develop from time to time corporate views on key themes and adjust our investment processes accordingly. As climate change is a long-term structural trend that will likely have a material impact on investment risks and returns, across different sectors, geographies and asset classes, we developed a corporate view ensuring that we proactively address climate change as part of our investment strategy. We have adopted a multi-year fund-wide climate change approach based on: (1) the integration of climate change factors into our investment decisions, at the total portfolio, asset class and individual asset level; (2) monitoring of the portfolio's exposure to climate change as part of our asset management processes; and (3) engagement with portfolio companies for better climate change-related financial risk disclosures. We notably support the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"). The TCFD's recommendations serve to encourage organizations to evaluate and disclose, as part of their annual filing preparation and reporting processes, the climate-related risks and opportunities that are most pertinent to their business activities.

5. Our Investments

As a global investor, PSP Investments has an important allocation to public markets with investments in equities and fixed income. Public market investments are managed internally and externally using a combination of active, absolute return, and index-replication strategies. We also invest in private markets through our activities in real estate, private equity, infrastructure, natural resources and credit investments. Private markets consist of a wide range of equity and credit investments by way of direct investments, platforms, co-investments and fund investments. These investments are managed by internal or external managers.

Internally Managed

As part of the investment analysis and decision-making processes for internally managed investments in both public and private markets, we look to identify and assess material ESG risks and opportunities. From ownership through

to exit, we actively monitor ESG factors throughout the life of the investment and engage in dialogue with companies in respect to a wide range of ESG issues with a view of improving their performance on material ESG factors. Our engagement process is described in further detail in Section 6.

Externally Managed

For a portion of its public and private market investments, PSP Investments allocates capital to mandates and funds managed by external managers and general partners. To ensure that the ESG integration approach for each externally managed mandate or fund is consistent with our Policy and expectations, we systematically review the ESG practices of our external managers and general partners. In reviewing the ESG integration practices of our externally managed investments and engaging in an ongoing dialogue with our partners, we seek to share best practices and encourage the adoption of more robust ESG procedures and processes.

6. Being an active owner

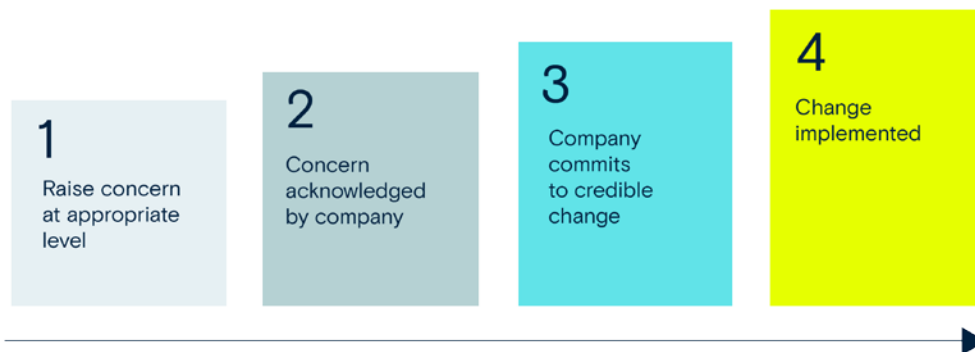
One of our roles as an investor is being an active steward of the assets we own. We regularly engage with our portfolio companies and partners across all asset classes to improve relevant ESG practices. We believe that through this ongoing dialogue, we can encourage sustainable corporate conduct and enhance long-term overall corporate performance. In addition, for public companies, we exercise our voting rights in accordance with our Proxy Voting Principles which outline our expectations with respect to corporate governance practices and sustainability of companies in which we invest.

Our engagement approach is tailored to the investment type and varies between public and private markets. However, our goal for both public and private markets is the same; we seek to encourage the adoption of sustainable business practices to protect and enhance long-term financial value. Our engagement activities aim to achieve greater alignment between financial return and sustainable corporate behaviour while providing transparency on PSP Investments' expectations on specific issues.

Public Markets

Public companies are selected for engagement based on a process that takes into account such factors as ability to create shareholder value, prospects for successful engagement and relevance of ESG issues. Many of our engagements are triggered because companies have not provided sufficient information in their disclosures to fully inform our assessment of the quality of their governance practices, including the exposure to, and management of environmental and social factors. We may choose to engage with companies directly, through service providers, or collaboratively with other investors. If we conduct individual engagements, our preference is to do so privately. The intensity of our engagements varies depending on the issues at stake. Some engagements entail one or two meetings over several months; others are more complex and warrant multiple meetings with board members and senior management over several years. We establish our engagement objectives based on issues for which we believe behavioural changes are warranted or in instances where additional information is required to assess the ESG performance of a company. Often, multiple ESG factors need to be addressed within a given company. Each of them may require varying approaches and levels of engagement, as well as different contact points.

For extensive engagements, we use a four-step milestone approach to guide the process and assess its success.



Proxy Voting

We use our ownership positions to promote good governance practices by exercising our proxy voting rights. Our Proxy Voting Principles address issues of corporate governance and responsible investment, on which we may vote from time to time, as well as the principles on which we rely when voting.

Private Markets

For private market investments, we leverage our direct access to portfolio companies. We regularly monitor assets and will engage directly with boards and management on material ESG risks or opportunities. For our direct investments, we often have board representation, allowing us to influence a company's management of ESG factors. For investments where we do not hold a board seat, we work closely with co-shareholders and constructively dialogue with the company to encourage the adoption of ESG best practices. In both approaches, we seize opportunities to improve ESG performance over time with the goal to protect and enhance long-term financial value.

7. Investment Restrictions

We believe that active engagement is usually preferable to screening stocks or investments for exclusion, a process by which certain companies or entire industries can be precluded from consideration for investment based on ESG factors.

However, there are instances where PSP Investments may voluntarily refrain or may be legally restricted from investing in sectors presenting heightened ESG risks.

8. Working with others to effect change

We believe that collaboration among institutional investors, investment partners, industry associations, regulators and academia helps raising ESG risk and opportunity awareness and understanding. PSP Investments works with a number of organizations to support initiatives that enhance the quality of ESG practices and disclosure. For PSP Investments, responsible investing means being committed to principles and collaborating with others to support robust and vibrant financial markets.

Collaborative engagements with other institutional investors can be the most effective way of achieving our objective to advance good governance and improvement of ESG practices at companies and other entities in our portfolio. To exchange views on responsible investing and contribute to good corporate governance, improvement of the quality of ESG practices and disclosure we are involved in several investor organizations, networks and initiatives.

9. Reporting and transparency

In line with our expectation of meaningful reporting and transparency from companies in which we invest and from our partners, we are committed to reporting on our responsible investment activities and performance.

We report internally on a regular basis to our Governance Committee and to our Board of Directors on our responsible investment activities. We also report publicly through our annual Responsible Investment Report and through updates to our website. Our Proxy Voting Principles and proxy voting records are also available on our website.

Finally, as a signatory to the United Nations supported Principles for Responsible Investment, we also report through its annual reporting and assessment process.

10. We are listening

This Policy will be reviewed at least every two years or more frequently if needed in order to reflect the evolution of our responsible investment standards and practices. We welcome feedback, questions and comments about our Responsible Investment Policy. Please feel free to contact us at responsibleinvestment@investpsp.ca.