PSP Investments

Statement of investment policies, standards and procedures for assets managed by the Public Sector Pension Investment Board

— PSP Investments

As approved by the Board of Directors on November 10, 2020

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1 Scope

1.1 Purpose

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act,* S.C. 1999, c. 34, as amended (the "Act") to manage and invest amounts that are transferred to it by the Government of Canada pursuant to the Superannuation Acts (as defined below) for the accounts of the "funds" (as defined in the Act) of the pension plans established under: (i) the *Public Service Superannuation Act*, (ii) the *Canadian Forces Superannuation Act* ("CFSA"), (iii) the *Royal Canadian Mounted Police Superannuation Act* (collectively, the "Superannuation Acts") and (iv) the regulations under section 59.1 of the CFSA (the "*CFSA Regulations*"). The pension plans established under the Superannuation Acts and the *CFSA Regulations* are herein collectively referred to as the "Plans". The "funds" for which amounts are currently transferred to PSP Investments (herein referred to individually as a "Fund" and collectively as the "Funds") were established for the pension obligations under the Plans for service on or after April 1, 2000 and in the case of the Plan established under the *CFSA Regulations* for service on or after March 1, 2007 (all of such pension obligations under the Plans being collectively referred to herein as the "Post-2000 Obligations"). The accounts managed by PSP Investments for the Funds are herein referred to individually as a "Plan Account" and collectively as the "Plan Accounts".

The Act and the *Public Sector Pension Investment Board Regulations*, SOR/2000-77, as amended (the "Regulations") require PSP Investments to establish for each Plan Account a statement of investment policies, standards and procedures that a person of ordinary prudence would exercise in dealing with the property of others, and this statement (the "Statement") has been prepared by PSP Investments for that purpose. The same Statement applies to each of the Plan Accounts as they currently share a long-term investment horizon resulting from the similar characteristics of the Post-2000 Obligations of each Plan and the consequential positive net inflow to each Plan Account that is expected over the long-term and which is further described below.

In accordance with the Act, the Statement is approved by the Board of Directors of PSP Investments ("Board of Directors"), and must be complied with by PSP Investments, its employees, its subsidiaries and external investment managers who invest the assets of PSP Investments. The Statement is also relevant to the actuary for the Plans, the Chief Actuary of the Office of the Superintendent of Financial Institutions Canada ("Chief Actuary").

1.2 Overview of the Plans

The Plans are all contributory defined benefit plans. The Government of Canada is liable for all pension obligations under them. The Plans have similar natures, provisions and demographics. The net inflows (contributions net of benefit payments) transferred to the Plan Accounts for the Post-2000 Obligations are expected to remain positive over the long-term.

Each month PSP Investments receives monies from the Government of Canada for the Plan Accounts, which are the net amounts available for investment on behalf of each Fund, being the member and employer contributions less: (i) amounts used to pay applicable benefits under the Fund's Plan and (ii) administration costs relating to such Plan.

Factors which may affect the funding of the Plans in respect of the Post-2000 Obligations and the Plans' ability to meet such obligations include: (i) rate of inflation; (ii) rate of increase of members' pensionable earnings; (iii) rate of return on assets invested by PSP Investments; (iv) investment risk (market risk, credit and counterparty risk, concentration risk, liquidity and financing risk and leverage risk); (v) demographic factors such as mortality rates, rates of employee terminations and age for retirements; (vi) actuarial funding cost method and value of assets used by the Chief Actuary and (vii) level of funding requirements for employee and employer contributions.

Pursuant to the Superannuation Acts, the Government of Canada, which administers the Plans and their respective Funds, may at any time call upon the net assets of PSP Investments allocated to each Fund's Plan Account for amounts required for the payment of Post-2000 Obligations of the relevant Plan or for the reduction of any non-permitted surplus in the Fund of such Plan.

2 Investment Objectives

PSP Investments' statutory mandate, as set out in section 4 of the Act, is to manage the amounts transferred to it in the best interests of contributors and beneficiaries under the Superannuation Acts and to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to (i) the funding, policies and requirements of the Plans and (ii) the ability of the Plans to meet their financial obligations.

The Government of Canada ("Government") has adopted a funding policy, reviewed annually, that articulates its risk tolerance, expressed in terms of pension funding risks (e.g. risk of being underfunded, risk of increased costs to the Government, etc.). Its communication is developed around the pension funding risk of a Reference Portfolio, provided to PSP Investments by the Treasury Board of Canada Secretariat each year. Accordingly, the Board of Directors has established a strategic asset mix, the Policy Portfolio (as defined below), reviewed annually, which is built to deliver an expected rate of return that is higher than the Reference Portfolio's, without increasing pension funding risk above the Government's risk tolerance. This ensures alignment with the Government's funding objectives for the Post-2000 Obligations.

More information on the Reference Portfolio is presented in Appendix "C".

All investments must be made in accordance with the Act and the Regulations.

3 Annual Review

The Board of Directors reviews the Statement at least once every fiscal year.

4 Plan Account Governance and Investment Process

In fulfilling its duties, the Board of Directors may, subject to the Act, delegate responsibilities for the investment of the assets in the Plan Accounts to the President and Chief Executive Officer of PSP Investments ("Chief Executive Officer") and provide the authority to sub-delegate in certain instances, under the Terms of Reference for the Board of Directors or any Delegation of Investment Authorities approved by the Board of Directors.

4.1 Responsibility and Accountability for the Investment Process

The overall investment responsibilities are shared among the Board of Directors, the Investment and Risk Committee of the Board of Directors ("Investment and Risk Committee") and the Chief Executive Officer in accordance with the Terms of Reference for the Board of Directors and the Investment and Risk Committee. Procedures segregating the duties of participants in the investment process are in place.

4.2 Investment Decision Making Processes

The Investment and Risk Committee approves investment proposals based upon the recommendations of PSP Investments' management ("Management"). When a delegation of authority from the Board of Directors exists, officers of PSP Investments and investment managers (both internal and external) must undertake individual investment decisions within the scope of their respective mandates. The Chief Executive Officer manages and directs the day-to-day affairs of PSP Investments.

4.3 Performance Measurement

The primary purpose of performance measurement is to calculate: (a) the rate of return of each of PSP Investments' asset categories/classes, and (b) the overall rate of return of the Policy Portfolio and of the Plan Accounts as a whole. The value added by Active Management is measured by comparing the actual return of the Plan Accounts as a whole, against the overall return of the Policy Portfolio. The impact of Policy Portfolio decisions should be measured by comparing the overall return of the Policy Portfolio against the overall return of the Reference Portfolio and risk related measures, as further outlined in the Risk Appetite Statement ("RAS") referred to in section 7 below.

For performance measurement purposes, the Policy Portfolio asset class weightings are equal to their actual portfolio weightings in the Plan Accounts, excluding deviations resulting from Active Management.

The performance of the Policy Portfolio, the individual asset classes and the investment managers is measured using relevant benchmarks, which may be comprised of market indices, economic indicators, peer group data or be based on cost of capital concepts.

The performance of the Plan Accounts as a whole, the Policy Portfolio, Active Management, individual asset categories/classes and investment managers is reviewed over periods that are long enough to provide a fair and appropriate basis for evaluation in each case.

4.4 Review of Investment Performance

Management reviews the performance of the Plan Accounts on an ongoing basis and presents the results to the Investment and Risk Committee in accordance with the Investment and Risk Committee's Terms of Reference.

5 Allocation of Assets under Policy Portfolio (Strategic Asset Mix)

The Board of Directors has adopted as the policy portfolio ("Policy Portfolio") for the Plan Accounts the strategic asset mix summarised in the table below, with the target weightings indicated. The Policy Portfolio is a market exposure to the approved asset classes, in the approved long-term target weightings. This market exposure is expected to be achieved using both internal and external managers, by investing in both physical and synthetic assets, and by employing both active and passive investment management strategies.

Table 1

Asset Class	Long-Term Target Weight (%)
Equity	**39**
• Public Market Equities	• 27
• Private Equity	• 12
Government Fixed Income	**21**
Credit	**9**
Real Assets	**31**
• Real Estate	• 14
• Infrastructure	• 12
• Natural Resources	• 5

Implementation of the long-term target weights of the Policy Portfolio will be effected in a prudent and orderly manner, subject to market conditions and investment opportunities, and at a reasonable cost, recognising that overly precise control of the Policy Portfolio targets can result in transaction costs that are not economically justified. PSP Investments recognises that some investment opportunities may be beneficial to the Plan Accounts without falling within those asset classes listed in Table 1. Such Complementary Investments shall have no target weight, but shall not surpass 3% of the Plan Accounts' value. Management may rebalance the assets in the Plan Accounts in accordance with the Portfolio Rebalancing Policy approved by the Investment and Risk Committee. The purpose of the Portfolio Rebalancing Policy is to seek to ensure that over time, deviations from the long-term target weights of the Policy Portfolio do not materially impact the long-term objectives of PSP Investments.

The Policy Portfolio represents a broad-based diversified portfolio of public and private assets including non-Canadian dollar denominated assets. While currencies may fluctuate around their long-term equilibrium due to cyclical factors, the Policy Portfolio's foreign currency exposures are unhedged.

5.1 Risk and Return Expectations

Based on its expectations of market conditions and its asset-liability studies, PSP Investments developed the Policy Portfolio with a view to achieving a return at least equal to that of the Reference Portfolio, while respecting the Government's risk tolerance. Taking on investment risk is required to achieve this rate of return, which may result in returns significantly above or below this objective, particularly over short time horizons. This investment risk and its impact on the funding of the Plans for the Post-2000 Obligations are addressed in the RAS.

5.2 Active Management

In addition to the returns expected from the Policy Portfolio, PSP Investments employs Active Management strategies designed to increase returns (net of all costs) and to assist in overperforming the Reference Portfolio, within Active Risk limits. These activities are further described in the Active Management Policy approved by the Board of Directors and set out in Appendix "A".

6 Categories of Investments and Loans

In implementing the Policy Portfolio and Active Management strategies, PSP Investments may make the types of investments described below. Defined terms for these are found in the Glossary of Terms set out in Appendix "B". Such investments may be made directly (e.g. by holding the relevant equity security, bond or other asset) or indirectly (e.g. through exchange traded funds, pooled funds, trusts, limited partnerships, futures contracts or other derivatives, asset-backed securities, mutual funds, segregated funds or other investment vehicles). Use of any new investment product or financial instrument ("Financial Products") or investment activity by PSP Investments or its subsidiaries may only occur upon review by PSP Investments' relevant management committee ("MC"). Management submits the list of all approved Financial Products to the Investment and Risk Committee on an annual basis. To the extent that any Financial Products are added or removed from such list, Management reports any such changes to the Investment and Risk Committee at its next scheduled meeting.

6.1 Liquid Short-Term Investments

PSP Investments may invest in Liquid Short-Term Investments. PSP Investments' Risk Management department uses appropriate measures and controls to monitor the liquidity and credit risk of Liquid Short-Term Investments in accordance with PSP Investments' Investment Risk Management Policy and related procedures. The "Government Fixed Income" component of the Policy Portfolio includes Liquid Short-Term Investments.

6.2 Fixed Income Instruments and Real Return Bonds

PSP Investments may invest in Fixed Income Instruments and Real Return Bonds. Except as set out below, these must be rated by a recognised rating agency as prescribed by the Investment Risk Management Policy and related procedures. The "Government Fixed Income" and "Credit" components of the Policy Portfolio are respectively comprised of various Fixed Income Instruments and/or Real Return Bonds. Certain private debt or loan instruments comprising the Credit component of the Policy Portfolio are not rated as aforementioned, but are otherwise dealt with in accordance with the Investment Risk Management Policy and related procedures.

6.3 Public Market Equities

PSP Investments may invest in Public Market Equities using passive or active strategies. The “Public Market Equity” component of the Policy Portfolio is comprised of Public Market Equities.

6.4 Private Equity

PSP Investments may invest in Private Equity Investments, this type of investment comprising the “Private Equity” component of the Policy Portfolio.

6.5 Real Estate

PSP Investments may invest in Real Estate Investments, this type of investment comprising the “Real Estate” component of the Policy Portfolio.

6.6 Infrastructure

PSP Investments may invest in Infrastructure Investments, this type of investment comprising the “Infrastructure” component of the Policy Portfolio.

6.7 Natural Resources

PSP Investments may invest in Natural Resources Investments, this type of investment comprising the “Natural Resources” component of the Policy Portfolio.

6.8 Complementary Investments

PSP Investments may invest in Complementary Investments recognising that some investment opportunities may be beneficial to the Plan Accounts without falling within the asset classes of the Policy Portfolio.

6.9 Derivatives

PSP Investments may use derivatives to achieve its investment and financial objectives, including without limitation, strategies to mitigate risk, reduce costs, increase expected returns, increase cash liquidity or diversify financing and investing alternatives available to it. Subject to its Investment Risk Management Policy and related procedures and its list of approved Financial Products, PSP Investments may invest in derivatives including the following: swaps, forwards, futures, options and other structured products for the purpose of managing its exposure to interest rates, credit spreads, currencies, securities and financial markets or otherwise to achieve its investment and financial objectives. Where the use of derivatives is authorised in specific investment management mandates, the mandate must also specify: (i) authorised instrument(s), (ii) portfolio limitations, and (iii) purpose of their use and other criteria.

7 Risk Management and Diversification

PSP Investments has adopted a Risk Appetite Statement, referred to herein as the RAS, which outlines the appetite, attitude and tolerance to risk of the Board of Directors and Management and which complements this Statement and the risk related policies and procedures of PSP Investments. The RAS addresses, among other matters, risks related to the development of the Policy Portfolio. An overview of the RAS is provided in the Risk Appetite Overview.

The Policy Portfolio, as described in Section 5, sets out a strategy to mitigate risk through a diversified investment portfolio. The Policy Portfolio is reviewed at least annually to take into account, among other matters, changes, if any, to PSP Investments' long-term expectations of market conditions, including expected return and risk of each asset class, and other factors affecting the funding of the Post-2000 Obligations.

For the Plan Accounts, investment risk is managed in accordance with the investment restrictions prescribed by the Act and Regulations, as well as in accordance with PSP Investments' Investment Risk Management Policy and related procedures. The Investment Risk Management Policy, which covers investment risk matters for all investments in the Plan Accounts, is administered by PSP Investments' Risk Management department and states that PSP Investments will use quantitative and qualitative risk measures to assess investment risk.

8 Liquidity of Investments

PSP Investments' Treasury department manages PSP Investments' Liquid Short-Term Investments to ensure timely and cost efficient funding to enable PSP Investments and the Plans to meet all of their relevant financial obligations as they become due and payable and to reduce the risk of liquidating assets unexpectedly and potentially at unfavourable prices. All investments undertaken by the Treasury department are selected with due consideration given to their effect on liquidity risk within the context of the Plan Accounts as well as the income to be derived. Such investments are made in accordance with (i) Treasury department procedures, and (ii) the Investment Risk Management Policy and related procedures. The Treasury department also manages issuances of debt securities by PSP Investments' financing subsidiary, which are used in part to increase liquidity.

Given the unique characteristics of the Plans' Post-2000 Obligations and the long-term investment horizon of the Plan Accounts, liquidity requirements for the purpose of pension benefit payments are expected to be minimal up to 2030. The liquidity of specific asset classes is considered in the development of the Policy Portfolio.

9 Short Selling of Securities

PSP Investments may Short Sell any publicly traded securities (by way of borrowing securities or otherwise) to enhance expected returns or protect capital, provided, however, that Short Selling will only be done after full consideration of the related risks.

PSP Investments will provide the amount and type of collateral consistent with market requirements. Collateral is required to be held by the prime broker or lender in a manner designed to safeguard it, to the extent possible, from the interests of other creditors of the prime broker or lender. Publicly traded securities that are the object of Short Sales and any related collateral is marked-to-market daily so that exposures may be monitored.

10 Pledging of Assets and Permitted Borrowing and Leverage

a PSP Investments or its subsidiaries (including, but not limited to trusts, partnerships, corporations and other special purpose vehicles) may borrow money as permitted under the Act ("Permitted Borrowings") to satisfy cash flow needs, to avoid the untimely sale of assets or as described below.

b Subject to the limitations described in their respective By-laws, PSP Investments or its subsidiaries may also guarantee the obligations of, or the performance of obligations by, entities in which PSP Investments or its subsidiaries have a direct or indirect equity interest, provided, however, that the liability under any such guarantee does not exceed a percentage of the obligations guaranteed which is equal to the direct or indirect percentage equity interest in the guaranteed entity. PSP Investments may pledge, charge or otherwise grant a security in assets or post margin as required to complete derivative transactions, to secure a Permitted Borrowing or guarantee, or to complete a Short Sale, in accordance with applicable law. When engaging in permitted pledging, guarantees, or borrowing, PSP Investments gives consideration to the related risks.

c PSP Investments believes that the prudent use of debt or leverage may enhance investment returns contributing to achieving PSP Investments' mandate within its risk appetite. The use of leverage in an investment context involves the use of borrowed assets to make additional purchases to increase the rate of return from investment activities. Leverage can also be achieved by Short Selling and through the use of derivatives such as options, swaps and futures and other structured products. PSP Investments is authorised to utilise leverage to execute investment strategies provided that (i) due consideration is given to the related risks, (ii) appropriate risk control measures are established, and (iii) leverage activities are conducted in accordance with the Leverage Policy, the Investment Risk Management Policy, and related procedures and limits adopted by PSP Investments.

11 Custodians and Securities Lending or Borrowing

Custodians appointed by PSP Investments are approved by the Board of Directors pursuant to the Terms of Reference for the Board of Directors. PSP Investments' publicly traded securities may be lent out under a securities lending agreement. Currently, securities lending is conducted internally, directly, or through PSP Investments' custodians or their affiliates. Where PSP Investments assumes counterparty risk, any securities lending agreement must require collateral in a manner consistent with industry standards. Collateral will be marked-to-market on a daily basis, and any shortfall in the amount of collateral will be rectified immediately. Where PSP Investments invests in investment funds or insurance contracts, it will conduct due diligence on the securities lending practices of such investment vehicles and ensure that the practices are sound, and sufficient risk management procedures are established. PSP Investments' Risk Management department will establish a minimum rating for borrowers of securities and a procedure to review the creditworthiness of all borrowers when PSP Investments lends directly its securities to such borrowers.

Securities borrowing transactions are generally used in conjunction with Short Sales, securities fails (securities sold but not made available for delivery on the settlement date), and option and arbitrage positions. PSP Investments is also permitted to engage in securities borrowing for hedging purposes incidental to the activities of buying, selling, holding or exchanging publicly traded securities as PSP Investments deems necessary or appropriate.

12 Responsible Investment

PSP Investments' responsible investment practices are conducted in accordance with its Responsible Investment Policy with the intent of fulfilling the investment objectives and policies of this Statement for the long-term benefit of the Plan Accounts and consistent with the objects of PSP Investments, as set out in section 4 of the Act. At the center of our responsible investment approach is the investment belief that identifying, monitoring and capitalising on environmental, social and governance ("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. PSP Investments seeks to integrate analysis of ESG risks and opportunities, including climate change, in its investment due diligence and asset management processes across all asset classes. The ESG factors considered and their materiality will vary by company, industry and geography. Additionally, PSP Investments' integration process may vary according to the asset class and type of investment.

PSP Investments has an important allocation to public markets and uses its ownership positions in public equities to promote good governance practices by exercising its proxy voting rights. PSP Investments' Proxy Voting Principles address issues of corporate governance and responsible investment, on which PSP Investments may vote from time to time, as well as the principles on which it rely when voting. In limited instances, where it is not practical for PSP Investments to retain responsibility for proxy voting, PSP Investments may delegate voting rights to an external investment manager who must vote according to PSP Investments' then current proxy voting principles.

PSP Investments also regularly engages with portfolio companies and partners across all asset classes and works with a number of organisations to support initiatives that enhance the quality of ESG practices and disclosure. For private market investments, PSP Investments leverages its direct access to portfolio companies, while public companies are selected for engagement based on a process that takes into account such factors as ability to create shareholder value, prospects for success and relevance of the ESG issues.

13 Valuation of Investments

PSP Investments measures its investment assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition of an investment (e.g. upon acquisition), PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent measurement date, market prices are used to determine fair value where an active market exists (such as a recognised securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the measurement date that are derived from observable market data. In certain cases, valuation techniques include assumptions that may or may not be supported by market observable data. Valuation techniques used are based on widely recognised practices that are consistent with professional appraisal standards.

The valuation process is monitored and governed by an internal valuation committee. This committee is responsible for reviewing the fair values of all investments and recommending their approval to the Chief Financial Officer.

Direct investments in equity of Public Issuers and listed derivative instruments are measured at fair value using quoted market prices. In the case of investments in pooled funds and other investment funds, fair value is measured by using unit values obtained from each of the funds' administrators. Such unit values are derived from the fair value measurement of the underlying investments in each pooled or investment fund.

Over-the-counter derivatives are valued using appropriate valuation techniques that include discounted cash flows incorporating inputs such as current market yields, default correlation data and recovery rate, or using prices obtained from central counterparties in the case of cleared derivatives.

The fair value of Liquid Short-Term Investments, Fixed Income Instruments and Real Return Bonds is determined using prices obtained from third-party pricing sources determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies. Certificates of deposit and bankers' acceptances are measured at cost plus accrued interest, which approximates their fair value given their short-term nature.

For Private Equity Investments, Real Estate Investments, Infrastructure Investments, Natural Resources Investments and any other private entities (excluding investments in Public Issuers), PSP Investments uses acceptable industry valuation methods. For each investment, the objective is to apply the relevant methodology consistently over time. Furthermore, valuations are performed annually with at least semi-annual updates, subject to materiality. For direct investments PSP Investments may use the services of third-party valuators to determine the fair value. In validating the work performed by valuators, PSP Investments ensures that the valuator is independent, the valuation methods used are appropriate and applied correctly and consistently, the assumptions used correspond to financial information and forecasts of the underlying operating company and the valuation considers market participants' assumptions.

For direct Private Equity Investments, Infrastructure Investments, Natural Resources Investments and any other private entities (excluding investments in Public Issuers), valuation methods used include discounted cash flows, prices of recent comparable transactions and multiples of publicly traded comparable companies or previous transactions. Assumptions used in such valuations include, among others, discount rates, multiples, projected cash flows and representative earnings level which may not be fully supported by observable market data.

For direct Real Estate Investments (excluding investments in Public Issuers), valuation methods used include discounted cash flows, prices of recent comparable transactions and the direct capitalisation approach. Assumptions used in such valuations include discount rates, capitalisation rates, projected cash flows and/or net operating income, which may not be fully supported by observable market data. The fair value of real estate debt is determined using either a discounted cash flow method or collateral-based valuation technique.

For direct private debt investments, valuation methods used include discounted cash flows, market prices involving comparable (similar) debt investments and the recoverable value of the collateral (if impairment exists). Assumptions used in such valuations include, among others, projected cash flows which may not be fully supported by observable market data.

In the case of Private Equity Investments, Fixed Income Instruments and Real Return Bonds investments, Real Estate Investments, Infrastructure Investments and Natural Resources Investments made through investment funds, the fair value is generally determined based on the audited fair values reported by the fund's general partner using acceptable industry valuation methods.

In the case of co-investments by Private Equity Investments, Infrastructure Investments and Natural Resources Investments, where access to information is more restricted, the fair value is generally determined based on the audited fair values reported by the fund's general partner using acceptable industry valuation methods.

14 Related Party Transactions

PSP Investments may enter into a transaction with a related party (as defined under section 1 of the Regulations) only if the transaction:

a. is required for the operation or administration of PSP Investments and is made on market terms and conditions; for the purpose of this paragraph, "market terms and conditions", in respect of a transaction, means terms and conditions, including those relating to price, rent or interest rate, that would apply to a similar transaction in an open market under conditions requisite to a fair transaction between parties who are at arm's length and acting prudently, knowledgeably and willingly;
b. relates to securities of a related party acquired on a public exchange; or
c. is of a nominal value; in assessing whether the value of a transaction is nominal, (i) two or more transactions with the same related party are considered a single transaction and (ii) a value of CA $250,000.00 and below is considered to be nominal.

15 Soft Dollar Practices

PSP Investments' approach to securities transactions is to pay the minimum commission necessary to achieve favorable order execution, considering all explicit and implicit trading costs. PSP Investments recognises that the research provided by brokers can be of value to internal and external investment managers. As a result, PSP Investments allows its internal and external investment managers to utilise soft dollar practices as long as each investment manager seeks to obtain "best execution" on its securities transactions and complies with guidance provided by the CFA Institute Soft Dollar Standards (or other principles approved by PSP Investments) in all material respects and applicable securities regulatory requirements.

16 Compliance

Several departments at PSP Investments, including Legal Affairs, Internal Audit and Compliance and Risk Management, monitor PSP Investments' activities to ensure compliance with this Statement. Any breaches of this Statement must be promptly reported to the relevant MC and by Management to the Governance Committee of the Board of Directors, along with an appropriate plan for resolution of the breach.

APPENDIX "A"
ACTIVE MANAGEMENT POLICY

1 Objective

The Active Management Policy's objective is to generate the targeted amount of value added (returns in excess of those from the Policy Portfolio) using no more than the level of Total and Active Risk approved by the Board of Directors. Active Management programs are undertaken by both internal and external managers, investing in asset classes from the Policy Portfolio or asset classes or assets unrelated to the Policy Portfolio (only as approved by the Board of Directors), and in either physical or synthetic assets.

One Active Management strategy that Management may employ is short-term deviations from the Policy Portfolio's long-term target weights for asset classes (within the Policy Portfolio asset class ranges of the Portfolio Rebalancing Policy) based on Management's assessment of relative valuations of each asset class, supplementing rebalancing policies in place.

2 Process

PSP Investments seeks to minimise over time the correlation of returns between the Active Portfolio and the Policy Portfolio. The Active Portfolio is composed of a number of diversified investments each expected to generate superior returns within their allocated risk parameters.

3 Target Return and Approved Risk

The annual Active Management value added objective is set by the Board of Directors over the return of the Reference Portfolio, net of all expenses of PSP Investments. The maximum approved level of Total and Active Risk is set by the Board of Directors. Management reports the Total and Active Risk exposures to the Investment and Risk Committee in accordance with the RAS.

4 Diversification

PSP Investments diversifies its Total and Active Risk by, among other matters:

a asset classes (e.g. equity securities, debt securities, real estate, etc.);

b geographies;

c currencies; and

d styles (e.g. fundamental, trending, quantitative).

The result will be pools of investment activities, which are the Active Management programs. These programs combined with passive portfolios make up the Total Fund.

APPENDIX "B"
GLOSSARY OF TERMS

Active Management - An investing strategy that seeks to outperform the Policy Portfolio benchmarks by creating a portfolio that deviates from the Policy Portfolio benchmarks. In equities, this is usually accomplished by overweighting and underweighting specific sectors or securities relative to the Policy Portfolio.

Active Portfolio - The aggregate of all deviations from the Policy Portfolio as part of PSP Investments' Active Management.

Active Risk - All investment risk arising from Active Management, including the volatility of the returns of the Active Portfolio.

Fixed Income Instruments and Real Return Bonds - Fixed Income Instruments are debt, loan or contractual instruments that pay an amount of interest or income at a regular interval over a period of time. Real Return Bonds are debt instruments that earn inflation adjusted returns. These investments include, but are not limited to, publicly traded debt securities, subordinated debt securities, convertible debt securities, private debt securities, instruments or loans, debentures, bonds, fixed or floating rate notes, secured loans, mortgages and related rights, mortgage bonds, and Canada Mortgage and Housing Corporation insured loans, as well as equity-like instruments that are approved by the Chief Executive Officer, and equity instruments that are incidental to such investments and are approved by the Chief Executive Officer. Exposure to Fixed Income Instruments and Real Return Bonds may also be obtained through the use of derivatives or through investment funds focused on these. Fixed Income Instruments and Real Return Bonds are issued by governmental, supranational and/or private entities, and provide income as well as the return of capital at maturity and are generally less volatile than equity securities.

Infrastructure Investments – Include direct investments in companies or other entities and indirect investments such as investment funds. Direct investments are comprised of equity, equity-like or debt instruments in private companies or other entities or Public Issuers, primarily engaged in the construction, management, ownership or operation of assets in power, energy, regulated businesses, transportation, telecom, social and other infrastructure sectors. These assets typically have low obsolescence risk and high capital costs. Infrastructure Investments' returns are generally characterised by sensitivity to inflation.

Liquid Short-Term Investments - Liquid Short-Term Investments consist of short-term investments in the following instruments, provided these securities have a term to maturity of 400 days or less: certificates of deposit, bankers' acceptances and other evidences of deposit at financial institutions, evidences of indebtedness of companies or other entities, treasury bills, promissory notes and short-term notes with coupon resets not exceeding 400 days. Liquid Short-Term Investments also include floating rate notes with coupon resets not exceeding 400 days and a final maturity date not exceeding three years.

Natural Resources Investments – Consist primarily of direct or indirect investments in assets that relate to the production or extraction of a natural resource such as timber, agricultural products, upstream oil and gas and mineral resources. For renewable resources, investments typically consist of the land, the growing stock of forest or agricultural products and related assets, and may include investments in emerging renewable resources (i.e., wood-based biofuels, carbon credits, aquaculture, water entitlements, etc.), as well as infrastructure and other assets used to produce, harvest, store, distribute and market renewable resources. For other natural resources, investments typically consist of oil and gas or mineral rights or licenses and the infrastructure required to extract, produce and deliver such resources. For all natural resources, investments may include securities or interests in entities or investment funds focused on Natural Resources Investments.

Complementary Investments – Consist primarily of direct or indirect investments (e.g. investment funds) in assets that do not fall within an existing approved asset class of the Policy Portfolio (i.e. no single asset class fit) but are deemed beneficial for the Plan Accounts. Direct investments include equity, equity-like, debt instruments or derivatives in assets, private entities or Public Issuers as well as direct co-investments in entities in conjunction with investment funds.

Public Issuers - Means entities whose securities trade on a widely recognised stock exchange, including specified purpose acquisitions companies.

Public Market Equities – Include the following securities of Public Issuers, whether publicly traded or not: common shares, American depository receipts, global depository receipts, rights, participation notes, preferred shares, warrants, instalment receipts, income trust units, exchange traded funds, securities convertible into equity securities, limited partnerships interests. It also includes derivatives, such as publicly traded futures of the index of any widely recognised stock market, as well as income streams, debt, financial assets or securities of private entities, including those expected to effect initial public offerings and investment funds with an allocation to private assets and related co-investments

Private Equity Investments - Consist primarily of investments in private entities, but may also include Public Issuers that will be privatised or in circumstances arising out of this asset class' activities and as approved by the Chief Executive Officer. The majority of Private Equity Investments are concentrated in equity positions (common or preferred). Other investments may include private or publicly traded debt of private entities (senior debt, mezzanine or other debt), and distressed debt of private entities or Public Issuers and venture capital investments. Private Equity Investments include direct investments in entities as well as indirect investments through investment funds focused on Private Equity Investments, as well as direct co-investments in entities in conjunction with such investment funds.

Real Estate Investments - Consist of investments in real estate properties and development projects and related assets. Real Estate Investments generate stable, long-term cash flow in the form of leasing income which can be increased over time using active property management, and generate income from the sale of properties. Real Estate Investments are primarily in the form of direct property ownership alone or in partnership with an operating partner of office, multi-family, retirement, seniors, industrial, retail, hotel and mixed-use real properties and can include securities of Public Issuers in real estate businesses. Real Estate Investments also include real estate debt instruments as well as indirect investments in real estate through investment funds, and club deals relating to real estate.

Short Selling (and related terms) - Refer to a technique used by investors who try to profit from the expected falling price of a publicly traded security and consists of the sale of securities not owned by the seller. If a short sale is successful, the profit is the difference between the price at which the security was sold and the cost to buy it to cover the short position, less transaction costs.

APPENDIX "C"
Reference Portfolio

The Reference Portfolio is a portfolio that could be passively managed, is investable, and is composed of asset class benchmarks. It is used to determine the funding risk tolerance for the Plans. The Treasury Board of Canada Secretariat, with the help of the Asset-Liability Committee, determines the composition of the Reference Portfolio so that its pension funding risk, as determined through Asset-Liability Modelling (ALM), reflects the government's risk tolerance for the Plans. The Reference Portfolio is communicated annually by the Treasury Board of Canada Secretariat on behalf of the President of Treasury Board to PSP through a letter.

The Reference Portfolio that was communicated in Fiscal Year 2021 is as follows:

Table 2

Asset Class	Long-Term Target Weight (%)
Equity	**59**
• Canadian Equities	• 10
• U.S. Equities	• 21
• International Equities	• 28
Government Fixed Income	**41**
• Cash	• 2
• Canadian Government Fixed Income	• 27
• World Government Bonds	• 7
• Indexed-Linked Bonds	• 5