

## Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard for the interest of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions.

The Company is wholly owned by PSPIB which is a Canadian Crown Corporation established by the Public Sector Pension Investment Board Act in 1999. PSPIB invests funds for the pension plans of the federal public service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force. The Company was formed as part of PSPIB's strategy to establish overseas offices to aid it in fulfilling its underlying social mission of contributing to the long-term sustainability of the pension plans referenced above. Directors of the Company are involved in the design and execution of PSPIB's strategy meaning that the Company is able to assess PSPIB's needs.

Given this social mission, it is extremely important to the Directors that the Company maintains high standards of business conduct which is only possible by preserving the Company's reputation. Further, the Directors consider what is most likely to promote the success of the Company in the long term: it is sourcing, investing and managing assets today to help meet pension obligations decades into the future.

The Directors are guided by a solid framework for decision-making through PSP Investments' Code of Conduct which is publicly available at <https://www.investpsp.com/en/psp/governance/>. The code clearly outlines expectations for business practices and behaviour related to:

- Acting with integrity and honesty;
- Complying with applicable laws;
- Protecting our assets and confidential information; and
- Preventing conflicts of interest.

The Directors are required to complete training on and certification of compliance with the code annually. The first principle ensures that the Directors behave ethically and act courteously in all internal (our employees and colleagues) and external (our investment partners, suppliers and others) dealings and that they avoid pressuring others to behave unethically, so that their actions and those of their stakeholders reflect positively on the Company. These are some of the ways that this applies in practice:

- The Company engages with suppliers to meet reasonable payment terms which has been especially important for those suppliers most impacted by COVID-19. The Company holds regular relationship meetings with key suppliers to understand their needs as well as to provide a mechanism for obtaining feedback;
- The Company ensures that the investment management and advisory services it provides are aligned with the needs of its customers as well as performed by individuals with the appropriate experience and skill; and
- The framework mentioned above ensures that acting fairly between all stakeholders of the Company is a central pillar of decision-making.

The Directors are aware that employees are central to the success of the Company so ensure that each employee has a development plan which is a core part of the annual HR process. The development plan encompasses both business and personal development needs which can be addressed through further qualifications, training or opportunities within the business. Employees are also required to complete a "Your Voice" employee engagement survey on a regular basis which provides an opportunity for the Directors to act on feedback received. The Directors now have more than 24 months of data from the engagement surveys; one recurring theme has been in relation to employee wellness and concerns around burnout. To recognise hard work and commitment, time off to focus on well being and to recharge has become a permanent addition to the calendar.

The Directors also embrace PSPIB's principles of Investing Responsibly as set out at <https://www.investpsp.com/en/psp/investing-responsibly/>. Environmental, social and governance (ESG) issues are some of the most significant drivers of change in the world today, with major implications for businesses and long-term investors. Considering the world of tomorrow, the Directors factor ESG risks and opportunities into investment processes to enhance performance, steering capital towards more attractive areas and mitigating potential issues.

Principal among these ESG issues is climate change which is a critical challenge of our time. Over a ten-year horizon, the top three global risks in terms of potential impact and likelihood are linked to the transition or physical risks of climate change according to the World Economic Forum. In April 2022, PSPIB launched its inaugural climate strategy with the enhanced ambition to guide emissions reduction across its investment portfolio and to contribute toward global net-zero emissions. The strategy is closely tracked by the Directors and includes the following points. It is here that the Company can not only contribute to the long-term sustainability of the pension plans referenced above but also have a positive impact on the community it operates in.

- Commitments to use capital and influence to support the transition to global net-zero emissions by 2050;
- Reducing portfolio GHG emissions intensity by 20-25% by 2026 (relative to a September 2021 baseline);
- Releasing its bespoke Green Asset Taxonomy, a classification system that assesses the firm's exposure to climate relevant investments across its portfolio and helps measure and manage its exposure to green assets, transition assets and carbon-intensive assets over time; and
- A number of short-term targets focused on increasing Green Assets and reducing exposure to Carbon Intensive Assets.

Following Russia's invasion of Ukraine and the ensuing sanctions imposed under the *Special Economic Measures Act*, PSPIB announced that it does not have material exposure to Russian investments and does not hold any private direct investments in Russia. PSPIB's exposure is mainly through passive index replication activities and external investment manager activities; this is not part of the Company's investment strategy so there is no exposure at this level. PSPIB has taken steps to divest of all its Russian investments. All residual positions will be written down to zero and PSPIB is committed to exiting this market as soon as market conditions permit. PSPIB has also supported the humanitarian relief efforts in Ukraine by partnering with the International Committee of the Red Cross with a matching donation program.

The principal activity of the Company relates to sourcing, holding and managing investments which is where the Directors made their key decisions. During the year, the Company invested €2.1bn in 5 new investments and the existing portfolio. The acquisitions provide further diversification as the portfolio matures. Additionally, nearly €1.5bn was returned from the portfolio in the year. The Company is investing to contribute to the long-term sustainability of the pension plans referenced above to ensure that decisions over portfolio construction reflect this long-term investment horizon.