



PSP

Green Bonds

TRANSLATING
OUR BELIEFS INTO ACTION

Green Bond Investor Presentation, June 2022

PSP

We are PSP

We invest our assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans* and the ability of the Plans to meet their financial obligations.

C\$230.5B in net assets
across 100+ sectors and industries

As at March 31, 2022

Our story


- **Operationally independent Crown entity**
100% owned by the Canadian Government, mandated to manage amounts transferred to it by the Government of Canada for the funding of benefits earned by members of the Plans**.
- **AAA ratings** are based on our strong sponsorship, financial pillars and corporate governance

Our strength

- No pension liability responsibility
- Government of Canada obligation to fund pensions in case of actuarial shortfall
- Positive projected net contributions for the medium term
- No possibility of winding down or insolvency without an Act of Parliament

Our edge

- A growing debt program with increasing secondary market liquidity
- Conservative approach to leverage
- Positive spread vs. Federal Government agencies



At PSP Investments, we believe that through our actions, we can encourage positive change on pressing social and environmental challenges, and contribute to a more inclusive, equitable and sustainable future.

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.

Investing responsibly

At PSP Investments, we want to position our portfolio to deliver investment results by identifying and managing material ESG risks and opportunities as the world transitions to a low carbon economy.

At PSP Investments, we have a longstanding practice of responsible investing as a means to better manage risk and generate the long-term returns needed to achieve our mandate.

Governance

Responsible Investment Policy

Integration

Responsible Investment Report

Engagement

Proxy Voting Guidelines

Disclosure

Portfolio Carbon Footprint

Advocacy

Joint Statement

calling on companies to provide enhanced ESG disclosure

Leadership & Collaboration

Signatory of:



Principles for Responsible Investment



ICGN
International Corporate Governance Network



INVESTOR
LEADERSHIP
NETWORK



CCGG



Sustainable
Stock Exchanges
Initiative



FINANCE
MONTREAL
Initiative pour la finance durable
Finance and Sustainability Initiative



CDP
DRIVING SUSTAINABLE ECONOMIES



30% Club
GROWTH THROUGH DIVERSITY



SASB
ALLIANCE
MEMBER

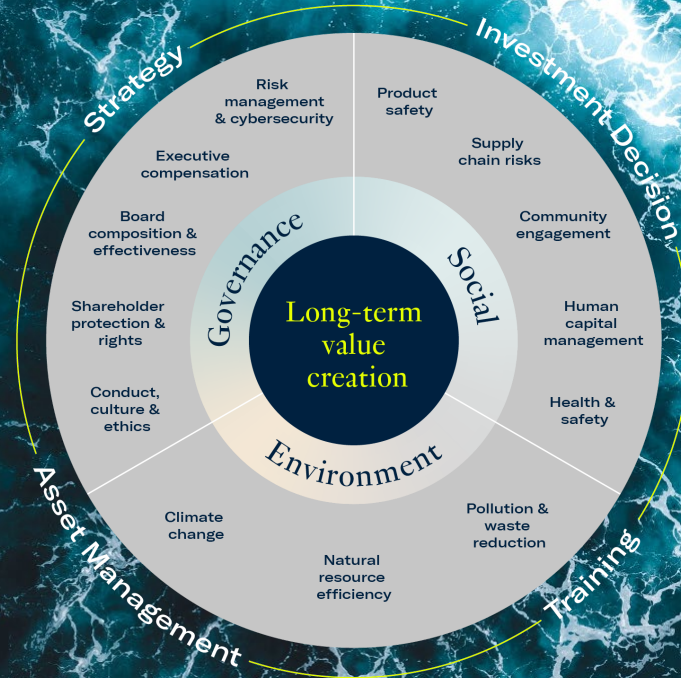
Investing responsibly

We proactively address material ESG risks and opportunities, and we seek to encourage portfolio entities build the ESG foundations and deliver on [our Responsible Investment Policy](#) principles.

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 performance.

WE WERE RECOGNIZED AS:

- ✓ An organization striving to create a more equitable, inclusive, and sustainable future,” and were voted “Best Sustainable Pension Fund Manager Canada 2021” by CFI.co; and
- ✓ One of the [Most Responsible Asset Allocators](#) in 2021 by the Responsible Asset Allocator Initiative (RAAI).



Investing responsibly

We closely monitor ESG trends, risks and opportunities.

We aim to create a critical mass of standardized, comparable and performance-based ESG data across the total fund and asset classes.

INTERNAL PROCESSES

A consistent approach, robust framework and methodology, and rapidly evolving tools:

A consistent approach to **integrating ESG factors** in decision-making for our investments

An internal **ESG assessment framework** for evaluating the ESG practices of our general partners and external managers

A dynamic proprietary **ESG Composite Score** comprised of a quantitative assessment of corporate governance practices and a dynamic methodology to monitor and identify material ESG risks and opportunities

A climate change **toolkit**, a physical risk assessment **platform**, and a portfolio carbon footprint tool to monitor climate-related risks and opportunities over time

LEADERSHIP AND COLLABORATION

We collaborate with various external partners:

We **joined** the “**ESG Data Convergence Project**” to advance an initial standardized set of ESG metrics and mechanisms for comparative reporting

We **collaborated** on a joint letter on **climate-related financial disclosures** to the SEC on behalf of Canada's 10 largest pension plans

We **recently partnered** with the SASB and FactSet to develop our **proprietary ESG Composite Score**

Climate Change

Approach and Actions



Leadership & Collaboration



Integration

PSP



Engagement & Disclosure



Investment & Management



- **Identify** climate change risks & opportunities for all transactions
- **Perform** climate scenario analysis and stress-testing



- **Understand** our exposure to climate change risks and opportunities across the total fund
- **Invest** in climate change opportunities
- Help **finance** the climate transition
- **Manage** our portfolio carbon footprint



- **Engage** with our portfolio companies on climate change risks and opportunities
- **Influence** our external managers and general partners
- **Align** with Task-Force on Climate Related Disclosures (TCFD) recommendations



- **Participate** in leadership and collaboration initiatives to evolve our understanding and align with market best practices
- **Provide** insights to our employees on climate change risks and opportunities

VIEW OUR:

- ✓ [Corporate View on Climate Change](#)
- ✓ [Climate Strategy Roadmap](#)



GREEN BONDS

Our funding strategy will foster ESG considerations in PSP Investments' long-term investment decisions and support sustainable business practices.

Green bond program

Green financing will enable us to support more sustainable projects, accelerate climate change mitigation and adaptation efforts, and improve ESG risks and opportunities assessments, transparency and disclosure.

We intend to be a frequent issuer

We target one Green Bond transaction per year

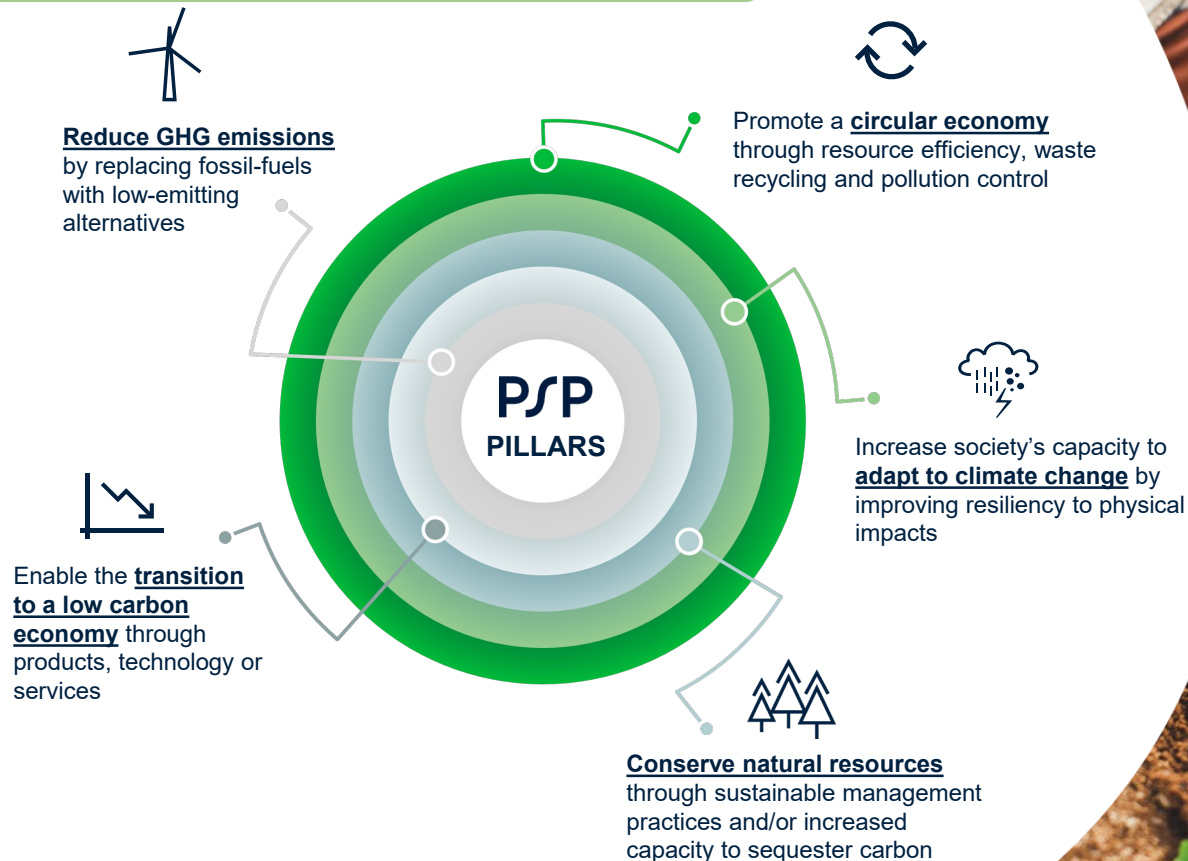
We will systematically report on our progress

Each year, we will produce an impact report showing our program's positive contribution

Issuing Green Bonds through our multi-currency global debt program will allow us to access a growing market with increasingly diversified sources of funding, and answer our needs, the investors' demand and ESG requirements.



Green bond program



Green bond framework

Net proceeds from this issuance will be allocated to assets that demonstrate strong ESG performance and support the transition to a low-carbon economy. All Eligible Green Assets will contribute to one or more of PSP's Green Bond Framework pillars.

Green Bond Eligible Assets will also positively contribute to:

- ✓ The long-term goals of the Paris Agreement; and
- ✓ Sector-specific emissions reductions trajectories, as outlined in the International Energy Agency's (IEA) Net-Zero Scenario, guidance from the Science-Based Targets Initiative (SBTi), the Investor Leadership Network (ILN) sector decarbonization pathways, or other credible modeling sources.

View our [Green Bond Framework](#)



ELIGIBLE USE OF PROCEEDS

- | | |
|---|--|
| ✓ Renewable energy | ✓ Sustainable water and wastewater management |
| ✓ Environmentally sustainable management of living natural resources and land use | ✓ Circular economy adapted products, production technologies and processes |
| ✓ Green buildings | ✓ Energy efficiency |
| ✓ Clean transportation | ✓ Pollution prevention and control |



Green bond framework



Process for Project Evaluation and Selection

A **Green Bond Working Group** comprised of representatives from Treasury, Responsible Investment, Legal Affairs and various investment teams, has been established and will meet regularly. It is responsible for the assessment and selection of Eligible Green Assets, and the management of the **Green Bond Register** over the lifetime of all issuances.

Management of Proceeds

The Treasury group will **track, through the Register, the allocation of net proceeds** from the sale of any Green Bonds to eligible Green Assets. The Green Bond Working Group will **review it on an annual basis** to ensure that the Eligible Green Assets continue to meet the eligibility criteria. Any assets that are sold will be removed from the Register.

Impact Reporting

PSP Investments intends to publish its inaugural Green Bond Impact Report **within one year from first issuance, and on an annual basis thereafter**. This will be made **publicly available on PSP's website** and will include disclosure on both allocation and impact objectives.

Green bond framework

Second-Party Opinion

PSP Investments' Second-Party Opinion | CICERO

°CICERO

SHADING:



MEDIUM
GREEN

GOVERNANCE SCORE:

EXCELLENT

"Sound governance and
transparency processes"

“PSP has expectations for both portfolio companies and external managers to **align their business models with the low-carbon transition**”

“**Relevant impact indicators** for each project category”

“**Clear selection and monitoring process** for investments under the framework”

“**Committed to transparent reporting**”

Board seats and control over large-scale private markets investments will support the implementation and enforcement of the Green Bond Framework criteria

Green project examples



SUSTAINABLE FORESTRY

The strategic alliance of TimberWest and Island Timberlands, leading to the establishment of **Mosaic Forest Management**, enabled the shared use of facilities, enhanced forest stewardship and alignment of best practices.

See their **Sustainability Progress Report**

One of its key commitments is to minimize emissions and maximize forest carbon sequestration by, *inter alia*, using timber to contribute to a sustainable and renewable resource, establishing and managing carbon offset projects, planting millions of trees every year, and protecting forests from wildfire.



RENEWABLE ENERGY

PSP Investments and Ontario Teachers' Pension Plan are the sole shareholders (50-50 basis) of **Cubico Sustainable Investments** (Cubico), one of the world's leading renewable energy providers with operations across the Americas and Europe.

See their **ESG Report**

The company has an installed capacity of 4.6GW* and covers the whole energy chain, from development and construction, to operations and management of renewable assets.

*As at March 31, 2022



GREEN BUILDING

Located in the heart of London, 22 Bishopsgate has prioritized the highest ESG standards since conception, which demonstrates its admirable commitment to sustainability. The building is net zero operational carbon, using certified renewable power and offset credits for the balance of carbon emissions.

See **their official website** for more information

Its circular economy principles and innovative green processes encourage tenants to efficiently reduce waste and energy consumption, among others, supporting their goal to have the smallest environmental impact possible.



Contact information

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