

About PSP Investments

- ❖ Public Sector Pension (PSP) Investment Board is a Pension Investment Manager part of the 'Maple 8' in Canada
- ❖ AUM of \$204.5 billion as at March 31, 2021
- ❖ Recognized as Best Sustainable Pension Fund Manager Canada 2021 (CFI.co)
- ❖ Asset Classes – Capital Markets, Private Equity, Credit Investments, Real Estate, Infrastructure, Natural Resources.

What is Responsible Investment?

- ❖ Consideration of material Environmental, Social, Governance (ESG) factors in the investment process – screening potential investments, managing investments etc.
- ❖ Engagement with portfolio companies on ESG issues through active ownership and proxy voting
- ❖ Collaboration with peers to improve industry performance and practices related to ESG
- ❖ Sources: Principles of Responsible Investment. (n.d.). What is responsible investment? <https://www.unpri.org/an-introduction-to-responsible-investment/what-is-responsible-investment/4780.article>

Responsible Investment at PSP

- ❖ Material ESG factors integrated into the investment processes (Figure 1)
- ❖ Active ownership and engagement on ESG issues such as diversity, human capital management and human rights through proxy voting (Figure 2)
- ❖ Data driven approach to ESG e.g., asset level data gathering and monitoring of ESG KPIs
- ❖ Collaboration with responsible investment organizations such as the Principles for Responsible Investment (PRI), the Investor Leadership Network (ILN), among others.
- ❖ Climate change scenario analysis and stress testing conducted on Policy and Reference Portfolios
- ❖ Monitor, calculate and disclose portfolio carbon footprint

Key Achievements

- ❖ Modified portfolio carbon footprint methodology to improve alignment with Task-Force on Climate-Related Financial Disclosures (TCFD)
- ❖ Identified material ESG risks, opportunities, and investment considerations for emerging industries
- ❖ Conducted ESG Due Diligence on deals in investment pipeline
- ❖ Performed statistical analysis on corporate governance data as part of PSP's proprietary composite ESG score
- ❖ Developed templates to assist with disclosure and data collection of ESG KPIs from portfolio companies
- ❖ Utilized tools such as Sustainalytics, RepRisk and MSCI to obtain ESG ratings, industry analysis and controversies data

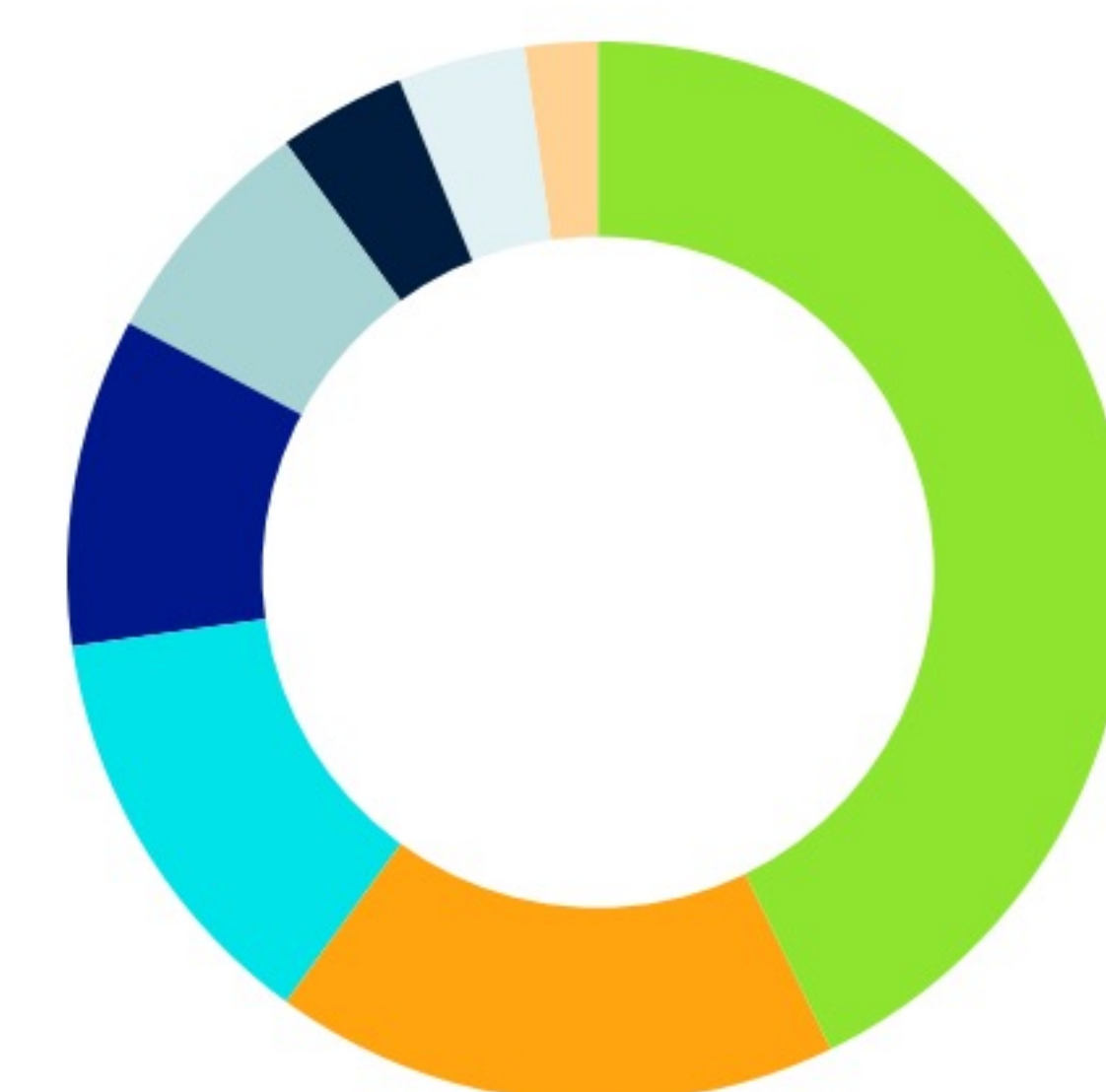
Skills and Insights Gained

- ❖ How to look at potential investments from an ESG perspective
- ❖ How to approach concepts such as materiality
- ❖ Analytical skills from working on ESG composite score
- ❖ Research skills from preparing reports on emerging ESG trends
- ❖ Communication skills through presentations to Chief Investment Officer and Executive Committee

Key Takeaways

- ❖ Greater interest and commitments towards ESG demonstrated by pension funds in Canada
- ❖ Pension Investment Managers have long-term investment horizons and access to large amounts of capital to invest so well placed to make a change to and benefit from ESG trends
- ❖ Institutional investors are increasingly disclosing information about their responsible investment process and portfolio company performance using standards and guidelines such as UN PRI and TCFD

Resolutions voted – by topic (FY2021)



ESG integration framework

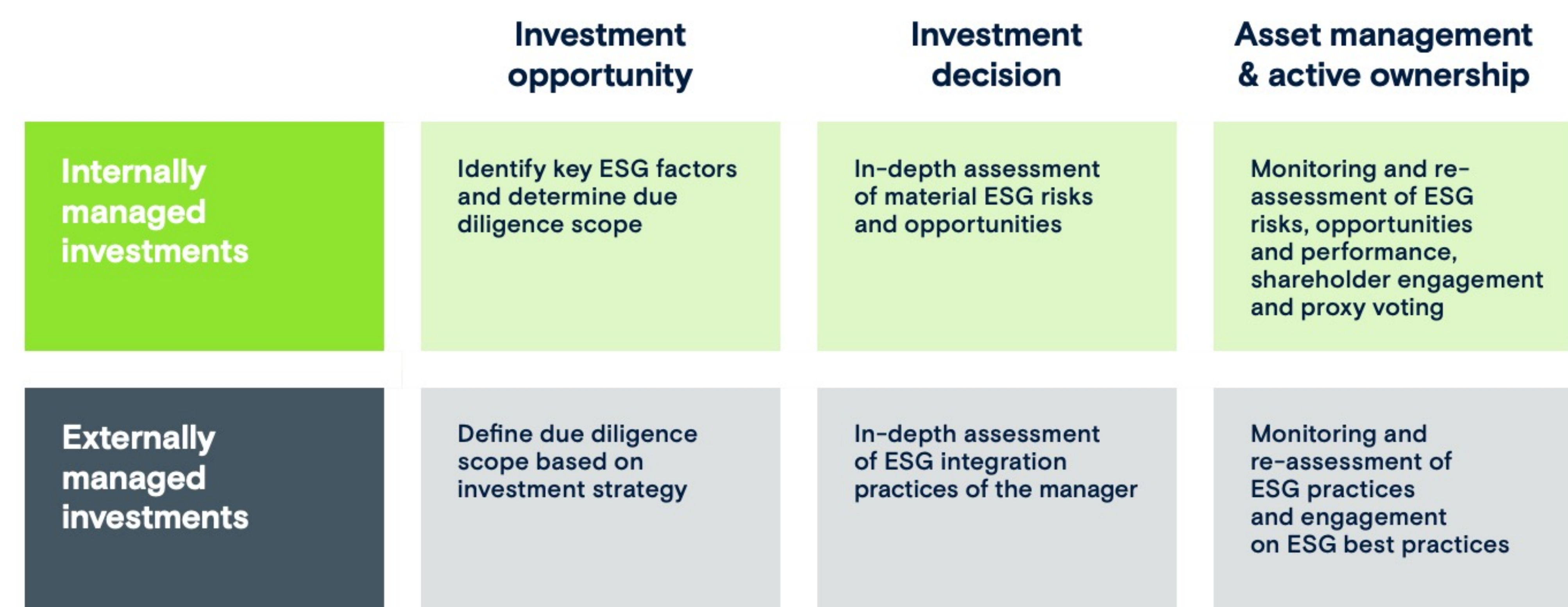


Figure 1 (top). PSP's ESG Integration Framework for Investments.

Figure 2 (left). Topics voted for during board meetings as part of PSP's active ownership approach.

Source: PSP Investments. (2021). 2021 Responsible Investment Report.

https://www.investpsp.com/media/filer_public/documents/PSP-2021-responsible-investment-report-en.pdf