2022 Annual Report

Investing for a better tomorrow

Public Sector Pension Investment Board

PSP

PSP Investments manages the amounts transferred to it by the Government of Canada for the funding of benefits earned from April 1, 2000 by members of the public sector pension plans of the federal Public Service, the Canadian Forces (Regular Force), the Royal Canadian Mounted Police (RCMP) and, since March 1, 2007, the Canadian Forces (Reserve Force).

In accordance with the *Public Sector Pension Investment Board Act*, PSP Investments' statutory mandate is to: (1) manage amounts that are transferred to it in the best interests of the contributors and beneficiaries under the acts related to the plans; and (2) invest its 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.

$230.5 B

net assets under management

(as at March 31, 2022)

900K

contributors and beneficiaries

895

employees

Headquartered in Ottawa, with its principal business office in Montréal and investment offices in New York, London and Hong Kong

Investing in

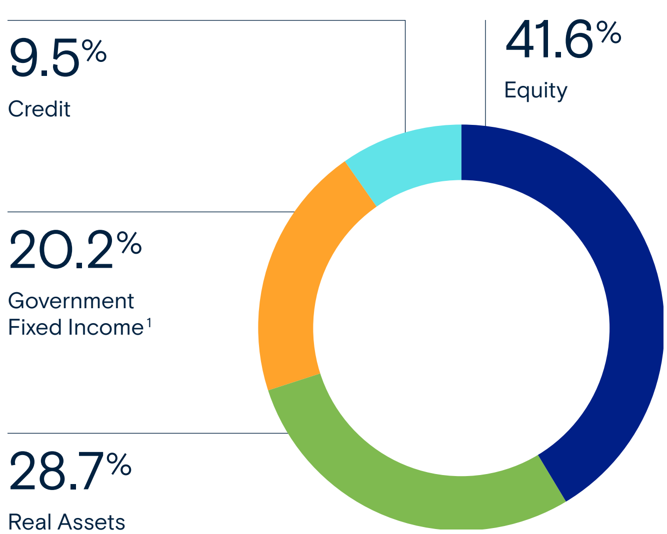
100+

sectors and industries

Communications	Energy
Materials	Consumer staples
Technology	Financials
Timber	Utilities
Agriculture	Residential/retirement
Health care	Offices
Industrial	Retail
Consumer discretionary	Debt

Asset mix

As at March 31, 2022



[1] Includes Cash and Cash Equivalents.

All amounts in this report are in Canadian dollars unless otherwise noted.

At PSP Investments, our shared purpose is to invest for a better tomorrow.

To make insightful investment choices that contribute to the sustainability of the pension plans of the people who have dedicated their careers to serving our country. To attract and retain the best global talent to carry out our mandate in a meaningful way. To use our skills, insights, relationships and capital to support the global drive to net-zero greenhouse gas (GHG) emissions by 2050.

Sustainability plays an increasingly important role in our investment strategy. For more information, please see our 2022 Responsible Investment Report to be released in the fall.

Table of contents

Message from our Chair

PSP Investments has the privilege of investing money received from the Government of Canada for the funding of various pension plans. The sustainability of these plans is key to the peace of mind of their members and to the stability of government finances. Through our work, we also have the opportunity to advance Canadian and global priorities, including working to meet global climate change objectives and to usher in a more inclusive and sustainable way of doing business.

The Board's role is to provide oversight and guidance on PSP Investments' strategies and operations to ensure the organization fulfills its mandate. We take our responsibilities for strategy, risk, financial and human capital matters very seriously and fulfill them, in part, by encouraging frank and open discussions with senior management.

With the pandemic continuing to disrupt and challenge lives in fiscal 2022, risk management remained a priority for the Board. We can't say enough about how PSP Investments' senior management has navigated the choppy waters, attending to the health of the portfolio and the well-being of employees, while capitalizing on opportunities to move the organization forward.

Fiscal 2022 was also the first year of *PSP Forward* — an ambitious, long-term business strategy for delivering investment performance in an increasingly complex and rapidly evolving landscape. As a Board, we were actively engaged in the development of the strategy, and in fiscal 2022, we closely monitored its progress.

Climate change was another important focus area for the Board. PSP Investments has been reporting against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations since fiscal 2020. However, simply reporting on climate risks is not enough, as the extreme weather events in my home province of British Columbia, and around the world, reminded us in 2021. Strong action is needed on many fronts to address the growing climate crisis.

While climate change has been a focus area for our Board and management for many years, the organization took a significant step forward in fiscal 2022 in developing a comprehensive climate strategy. The Board fully supports PSP Investments' pragmatic, data-driven approach, which is focused on achieving real-world positive impact and creating long-term value in the interest of the pension plan contributors and beneficiaries.

Board renewal

Board succession planning was also an important topic in fiscal 2022, as three directors' terms expired and one position from an earlier year needed to be filled. Directors are appointed by the Governor in Council on the recommendation of the President of the Treasury Board. Candidates are selected from a list of qualified Canadian residents proposed by an external nominating committee established by the President of the Treasury Board. We're grateful for the time and effort invested by the nominating committee to select highly capable directors who bring a rich diversity of knowledge, experience and perspectives to our Board.

With the appointment of three new directors — Gregory Chrispin, Helen Mallovy Hicks and Maurice Tulloch — and the reappointment of Miranda C. Hubbs, we now have six women and five men on our Board. What's more, all four of the Board's standing committees will be chaired by women in fiscal 2023.

With these new appointments, we bid farewell to Garnet Garven and William Mackinnon, whose terms expired. We thank them sincerely for their wise counsel and invaluable contributions to PSP Investments and to our Board deliberations.

> **While climate change has been a focus area for our Board and management for many years, the organization took a significant step forward in fiscal 2022 in developing a comprehensive climate strategy.**

Heartfelt thanks

I'd also like to thank PSP Investments' management and employees for their dedication and resilience over what has been an unforgettable couple of years. We recognize that many have endured difficulties throughout the pandemic, yet they continued to push forward, ever mindful of their responsibility to the 900,000 contributors and beneficiaries on whose behalf they invest.

With 86% of our employees based in Montréal, we were very pleased to see PSP Investments ranked among Montréal's top employers for the fifth consecutive year. This reflects the organization's place in this wonderful city and its contribution to the broader community. It also shows that, in a competitive market for talent, management is taking the right steps to engage, inspire and enable people to reach their full potential. These are strengths of PSP Investments that we're proud of and will continue to build on in the years ahead.

5th
consecutive year ranked among Montréal's top employers

Montréal's Top Employers 2022

> **"Lastly, I wish to thank Neil Cunningham, PSP Investments' President and CEO, who announced that he would be retiring at the end of our next fiscal year, on March 31, 2023."**

The organization has thrived under Neil's leadership, with important advances on its strategy and presence in international markets, leading to strong financial performance. I've truly appreciated working with Neil and will miss our frequent conversations.

This transition is taking place at an opportune time for PSP Investments; we have a highly capable executive team, a talented and engaged workforce, and a robust strategy that has the organization poised to continue delivering on its mandate and purpose for years to come. We look to the future with confidence and optimism.

Sincerely,

Martin Glynn
Chair of the Board

Message from our President and CEO

PSP Investments' objective is to earn financial returns that help fund the retirement income promised to those who have dedicated their careers to the service of our country. Our Purpose statement, launched this spring, is *Investing for a Better Tomorrow*. For us, a better tomorrow starts with fulfilling our mandate for the hundreds of thousands of contributors and beneficiaries of the public sector pension plans.

Importantly, by pursuing our mandate, we also support the Government of Canada in providing sustainable pension plans for its skilled and diverse work forces — ultimately enhancing its ability to create a *better tomorrow* for all Canadians. We create a *better tomorrow* for our employees by giving them the opportunity to have fulfilling and rewarding careers in a safe, diverse, equitable and inclusive environment. We examine our investment and asset management activities through an environmental, social and governance (ESG) lens, and use our capital and influence in a way that aligns with our mandate to help drive progress on critical social and environmental issues that will shape the world of tomorrow.

This is a unique moment in time that the world must seize. I am optimistic that governments, businesses and communities will come together to harness innovation, best practices and corporate conviction to do better by people and the planet going forward. In line with our Purpose and our mandate, PSP Investments aims to bolster these efforts.

How does society make the most of this opportunity to reset the way we live and work? There are three things that I believe we need to prioritize:

- Fostering inclusive capitalism
- Acting on climate change and the transition to a global net-zero future
- Harnessing the power of innovation and technology for good

Fostering inclusive capitalism

The pandemic exposed the underlying fragility and inequities of our economic system, disproportionately affecting people who can least afford it and widening inequalities that hamper social cohesion and economic development. It has strengthened the case for reinventing capitalism — for shifting to a more sustainable and inclusive model that considers the needs of all stakeholders and society at large, alongside the drive for sustainable financial returns.

> **At PSP Investments, we support a shift to more inclusive capitalism, to engage with and create value for all stakeholders. We believe that companies who embrace a more inclusive capitalism will outperform those that don't over the long term. That's because the ones who continue to focus strictly on profits risk being out of favour with customers, employees, suppliers and regulators, thus driving down long-term value for shareholders.**

We have integrated ESG fundamentals into our investment and asset management processes and practices. While we used to consider ESG mainly as a risk lens, we are now approaching it as a way to enhance returns. We do this by investing in companies that have put sustainability and inclusive growth at the centre of their operations and by guiding our portfolio companies to improve their ESG practices.

We have committed to following the TCFD reporting guidelines and have joined other institutional investors in calling for the adoption of these guidelines by all entities. Once they become mandatory, the TCFD disclosures will identify leading companies, with positive implications on their ability to raise capital, hire and retain employees, compete for customers and build supplier relationships, and eventually on their performance. Institutional investors will increasingly look to these disclosures as indicators of future climate and financial performance, thus influencing valuation multiples.

On the social front, we are taking intentional steps to build equity, inclusion and diversity (Ei&D) into our workplace culture. While we track our progress, this is not a box ticking exercise. Rather, it's about welcoming diversity of gender, backgrounds and perspectives, connecting with one another on a human level and unlocking the collective intelligence of our teams, as a means to enhance our performance and give more people opportunities to thrive and grow.

By infusing this Ei&D mindset into our investment and stewardship practices, our partnerships and industry engagements, and our community work, we aim to amplify our impact in communities in which we operate or invest.

We are also reshaping our stakeholder relationships, starting with our own employees. The nature of the employer-employee relationship has been fundamentally altered since the pandemic, with employees seeking more flexibility, more purposeful work and a more caring organizational culture. We believe that meeting employees' needs and expectations is critical for PSP Investments' long-term success, enabling us to attract, develop and retain top global talent and leverage people's strengths.

One of the biggest changes we are making this fiscal year is to adopt a hybrid workforce model, in which employees will be able to enjoy the flexibility of working remotely but will also come together as an organization and corporate community to network, share knowledge, connect socially and continue to strengthen our culture.

We are also engaging with a wider range of external stakeholders, some of whom regularly assess and challenge our actions. We welcome this two-way dialogue as a way to learn from one another and constructively address issues, and we truly believe that PSP Investments is becoming better for it.

Acting on climate change and the transition to a global net-zero future

According to the April 2022 report of the Intergovernmental Panel on Climate Change, the next few years will be critical for stopping catastrophic global warming. The world needs a strong collective response to climate change — no single stakeholder group can accomplish the transition to a net-zero economy on its own. It will require governments, companies and investors alike to facilitate a shift away from how we have fuelled economic activities for more than 100 years. This change cannot happen overnight, and it will need to be pursued through multiple means and in a way that is fair and just for all.

Climate change has been a focus for PSP Investments for many years. In fiscal 2022, we raised our climate ambition, committing to use our capital and influence to contribute to the transition to global net zero and developing a climate strategy that aims to reduce our portfolio GHG emissions intensity by 20% to 25% by 2026 (using a 2021 baseline). Our climate strategy outlines our approach for achieving our commitments, and includes substantial investments in both green assets and transition assets, the latter being those that will require capital to reduce their carbon intensity along a science-based trajectory. I encourage you to read about our strategy on page 26 of this report, or in the Climate Strategy Roadmap posted on our website.

Incorporating and measuring the impact of the social aspects of ESG on investment behaviours is emerging. The brutal and unjustifiable Russian invasion of Ukraine prompted a reaction by the investment community to disinvest from Russian assets, which is heartening. While PSP Investments' investments in Russia are not material and are predominantly passive indexing, we have taken steps to divest from all of our Russian Federation investments. This horrific event will provoke further action by PSP Investments and other institutional investors to put more weight on social issues, whether actual or potential, in our investment decisions.

PSP Investments stands with the people of Ukraine. I am proud of our employees' generous donations to the Ukraine Humanitarian Crisis Appeal through the Canadian Red Cross. We hope our contributions will help to invest for a better tomorrow for those who have been affected and displaced by this crisis so that they may soon enjoy peace and prosperity.

Harnessing the power of innovation and technology for good

Innovation and technology are key levers for addressing real-world problems and building prosperous and sustainable economies, societies and communities. During the pandemic, we have seen how innovations in health care have been critical to the global response and how companies that made earlier investments in digital transformation were in a much stronger position to weather the storm. In recent years, we have also seen technology revolutionizing traditional business models and transforming entire industries, to the extent that how well companies understand and take action to manage their cyber risk is becoming an important consideration for all stakeholders.

Going forward, technologies such as artificial intelligence, augmented and virtual reality, quantum computing and robotics have the potential to improve lives and change our world for the better — advancing the transition to net-zero GHG emissions, accelerating the drug development process, increasing food production and more.

The innovators, entrepreneurs and large corporations driving these efforts need the patient capital provided by investors like PSP Investments to incubate and scale up their breakthrough ideas. We are giving them that support with the expectation that it will lead to greater social impact and financial returns down the road. Throughout this report, we have included stories of the many promising companies and innovations that PSP Investments is supporting.

What's more, our *PSP Forward* corporate strategy includes investing in select strategic partners to gain a better understanding of new technologies and their potential impact on our portfolio. This enables us, for example, to collaborate with and learn from some of our partners' portfolio companies when they are developing technologies that can improve decision-making or create value for our own portfolio companies.

Investing for a better tomorrow

The time is right to take all that society has learned over the past couple of years, and indeed over the last century, to build a more inclusive and sustainable economic system and a fairer world.

Within our organization, there is great energy and momentum to take on this challenge, as we work to deliver on our Purpose and our *PSP Forward* strategy. Our fiscal 2022 performance speaks to our capabilities and potential for success. Amidst a volatile global equity environment and rising interest rates, we achieved a 10.9% one-year return driven largely by strong returns in our private asset classes. Net assets under management reached a record-high $230.5 billion, up from $204.5 billion at the end of fiscal 2021. A summary of the year's financial and non-financial highlights can be found on pages 11 to 13 of this report.

While I will be retiring in March 2023, I have no doubt about the passion and abilities of my colleagues to realize our ambitions. The additions of Patrick Samson, Senior Vice President and Global Head of Real Assets, and Michelle Ostermann, Senior Vice President and Global Head of Capital Markets, to our executive committee in fiscal 2022, and new talent and capabilities in our management and professional ranks, make us stronger.

I would like to thank our Board for its trust, support and counsel over the four years that I have had the privilege of leading PSP Investments. I would also like to recognize my colleagues, whose commitment and resilience over the past two years, in particular, has been nothing short of amazing. PSP Investments' continued momentum is a testament to their talent and efforts, and I am so thankful for them.

Sincerely,

Neil Cunningham
President and Chief Executive Officer

5-year return
9.0%

10-year return
9.8%

Executive committee

1 **Neil Cunningham**
President and Chief Executive Officer

2 **Mélanie Bernier**
Senior Vice President and Chief Legal Officer

3 **J.-F. Bureau**
Senior Vice President and Chief Financial and Risk Officer

4 **Giulia Cirillo**
Senior Vice President, Chief Human Resources and Global Communications Officer

5 **Michelle Ostermann**
Senior Vice President and Global Head of Capital Market Investments

6 **David Ouellet**
Senior Vice President and Chief Technology and Data Officer

7 **Patrick Samson**
Senior Vice President and Global Head of Real Assets Investments (Real Estate, Natural Resources and Infrastructure)

8 **David J. Scudellari**
Senior Vice President and Global Head of Credit and Private Equity Investments

9 **Eduard van Gelderen**
Senior Vice President and Chief Investment Officer

FY2022 financial highlights

In everything we do, we're mindful that the investment returns we generate contribute to the sustainability of the pension plans of people who work, or who have worked for the federal public service, or served in the Canadian Forces — Regular Force, Reserve Force or Royal Canadian Mounted Police.

Net AUM[1]

$230.5 B

Increase in net AUM

12.7%

10-year net annualized return

9.8%

Cumulative 10-year net portfolio income (excluding contributions)

$126.9 B

Cumulative net investment gains above the Reference Portfolio[2] over 10 years

$25.9 B

5-year net annualized return

9.0%

Cumulative 5-year net portfolio income (excluding contributions)

$77.6 B

Cumulative net investment gains above the Reference Portfolio over 5 years

$19.7 B

Total fund 1-year net portfolio return

10.9%

Net contributions

$3.5 B

Increase in AUM

$26.0 B

1 Net AUM denotes net assets under management.

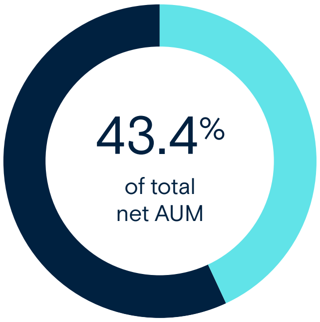
2 The Government of Canada gives to PSP Investments a Reference Portfolio that communicates its tolerance for funding risk.

Capital Markets[1]

$99.9 B
Net AUM

3.0%
1-year
rate of return

7.4%
5-year
annualized return

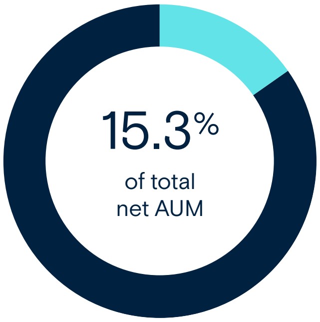


Private Equity

$35.4 B
Net AUM

27.6%
1-year
rate of return

17.6%
5-year
annualized return

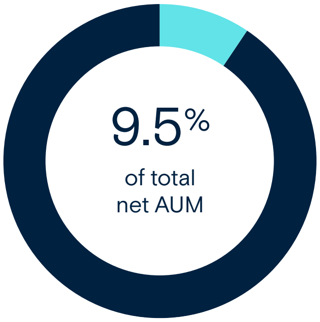


Credit Investments

$21.9 B
Net AUM

7.5%
1-year
rate of return

7.9%
5-year
annualized return



---

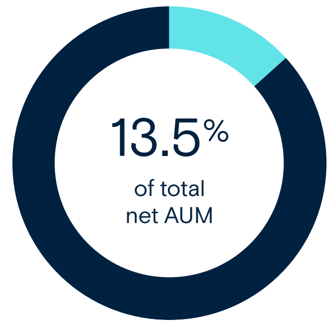
[1] Includes Public Market Equities and Government Fixed Income (excludes Cash and Cash Equivalents).

Real Estate

$31.1 B
Net AUM

24.8%
1-year rate of return

8.7%
5-year annualized return

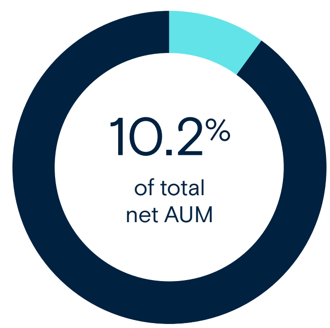


Infrastructure

$23.5 B
Net AUM

13.9%
1-year rate of return

10.4%
5-year annualized return

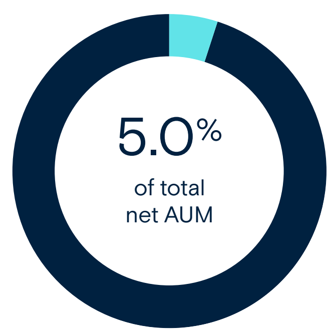


Natural Resources

$11.6 B
Net AUM

15.9%
1-year rate of return

8.5%
5-year annualized return



FY22 key achievements

Sustainability

Issued our **first green bond**, with proceeds earmarked for projects with environmental and/or climate benefits

Signed the *Statement by the Quebec Financial Centre for a Sustainable Finance*, pledging to tackle the **climate emergency and social inequalities**

Joined Institutional Limited Partners Association's **Diversity in Action** initiative

Raised close to **$500,000 for local communities** through our *PSP Gives Back* campaign and **$139,000** for the Ukraine Humanitarian Crisis Appeal organized by the Canadian Red Cross

Launched a new **climate strategy and targets** for supporting the transition to a global net-zero future economy

Strategy

Finalized the **Asia-Pacific strategy** aimed at increasing our exposure to Asia Pacific to more than $60 billion by fiscal 2026

Established several **firm-wide strategic relationships** where PSP Investments will benefit from greater insights, expertise and investment opportunities

Designed a **hybrid workforce model** to help attract and retain the best talent globally

Key deals

Climate funds

US$1 billion committed across the Brookfield Global Transition Fund and the TPG Rise Climate Fund, first movers in investing at scale in climate opportunities in private markets

Angel Trains

$1.4 billion invested in Angel Trains, one of Britain's leading train asset management companies and a key player in the decarbonization of the United Kingdom (UK) transport system

Spark Infrastructure

$1.3 billion invested in Spark Infrastructure, an energy infrastructure company heavily involved in Australia's transition to a greener electricity grid

Awards and recognition

Named the **Best Sustainable Pension Fund Manager Canada** 2021 by cfi.co

One of the **30 most responsible asset allocators** globally as ranked by the Responsible Asset Allocator Initiative

One of **Montréal's Top Employers** for a fifth consecutive year

Excellence in Diversity and Inclusion award presented by the Canadian HR Awards

Investment approach and outlook

The investment landscape over the last few years has been shaped by an unusual number of significant events, from the ongoing global pandemic to the return of inflation and now, an armed conflict in Ukraine that has exacerbated market disruptions.

Fulfilling our mandate and our value proposition to our stakeholders requires the adoption of a disciplined investment approach that takes into consideration the unique characteristics of the liabilities of the public sector pension plans. Accordingly, PSP Investments has adopted an investment strategy that is focused on a long-term investment horizon, incorporates assets that are sensitive to inflation and relies on a high level of diversification as explained here:

- Our long-term investment horizon is a cornerstone of our investment strategy and one of our most important distinguishing advantages. We don't attempt to predict when markets will rise and when they will fall — which is almost impossible to do consistently — but rather seek to build a portfolio that benefits from market upswings while showing resiliency when markets fall. We can adopt a long-term horizon because of the long-term nature of pension plan liabilities.
- The liabilities of the pension plans are also sensitive to inflation, so inflation protection has been a cornerstone of our investment approach for many years. For example, the inclusion of inflation-linked bonds and real assets in our portfolio, such as infrastructure, helps protect against inflation.
- Finally, our portfolio's broad diversification across public and private asset classes, industries, geographies and currencies helps reduce risk and is designed to improve resilience during downturns.

While we don't know what the future holds, we are confident that our investment approach is the most appropriate strategy to help us navigate future market developments and achieve our objectives. We will continue to work diligently to implement this investment strategy to the best of our ability and fulfill our mandate.

We spot the edge to remain competitive in a rapidly evolving investment landscape.

Fiscal 2022 marked year one of *PSP Forward*, our strategic plan. Our plan guides how we, as a successful long-term investor, deliver on our mandate and continuously evolve our competitive positioning in an increasingly dynamic investment landscape.

The vision for *PSP Forward* is to be an insightful global investor and valued partner that is selective across markets and focused on the long-term. We made significant progress across our three strategic pillars — Global Fund First, Insight Driven, High-Performing Team — and against key milestones in fiscal 2022. Highlights are presented on pages 17 to 19.

***PSP Forward* is anchored by three strategic pillars:**

Global Fund First – Enhance our total fund performance and global operations by aligning our systems, resources and investment focus

Insight Driven – Generate valuable insights by leveraging hubs that institutionalize our knowledge, data, asset management practices and relationships

High-Performing Team – Build an engaged and resilient workforce that enables us to operate as an insightful and established global organization

PSP Forward highlights

Global Fund First

Global Fund First is our most ambitious strategic pillar in terms of scope. It creates the foundation for PSP Investments to realize its vision by enhancing how we manage the total fund, develop global fund investment strategies and integrate ESG considerations into our investments, and by modernizing our operating model.

Key achievements in fiscal 2022:

- Operationalized our total fund framework to optimize our liquidity management
- Furthered our Asia-Pacific strategy
- Developed our climate investing strategy using enhanced ESG data, and issued our first green bond
- Modernized and simplified technology platforms and data governance to enable efficient global investment operations

Case study

Furthering our Asia-Pacific strategy

Positioning for the "Asian Century" is a key priority of the *PSP Forward strategy.* In fiscal 2022, we advanced our Asia-Pacific (APAC) approach to support the development of investment strategies that leverage our scale, time horizon and multi-asset class nature.

Bringing together people from our Chief Investment Officer group, Strategic Planning team and asset classes, we combined top-down global fund portfolio construction views with bottom-up asset class investment strategies to inform how we manage our growing APAC portfolio.

In the last five years, PSP Investments' assets under management in the region have grown by more than 70%. By creating a well-diversified portfolio across geographies, asset classes and investment types, we expect to increase our exposure to APAC to more than $60 billion by fiscal 2026. To this end, we have established several strategic partnerships, maintain an office in Hong Kong and plan to open a second office in the region in the near future.

Case study

Doubling down on ESG data

We're undertaking a number of initiatives to advance a more data-driven approach to integrating ESG into our decision-making.

Among them, our Responsible Investment team developed a proprietary scoring system, called the ESG composite score, which enables us to quantitatively assess and monitor a company's ESG performance. The system identifies material ESG risks and opportunities and dynamically measures their relative importance using an artificial intelligence screening tool that captures real-time changes in stakeholder sentiment. This enhancement has increased the scalability of our approach to ESG integration, allowing us to perform quarterly portfolio and existing holdings reviews. In fiscal 2022, we produced close to 100 ESG assessments to support our Capital Markets group across developed and emerging markets, integrating ESG considerations into fundamental analysis and decision-making.

PSP Investments was a founding member of the private equity industry's ESG Data Convergence Project, which aims to streamline the industry's historically fragmented approach to collecting and reporting ESG data, providing greater transparency and more comparable portfolio information for limited partners. More than 100 leading general partners and limited partners representing US$8.7 trillion in assets under management from around the globe have committed to the partnership. Initiatives such as these are essential for enabling us to develop the robust environmental taxonomies and climate investment strategies needed to support the transition to a net-zero future economy.

Insight Driven

Insight Driven is the strategic pillar that will enable us to use our knowledge, data, portfolio and relationships to generate valuable insights that drive more effective decision-making. Work in this pillar is linked to progress on Global Fund First initiatives and, therefore, will intensify in the latter half of *PSP Forward*.

Key achievements in fiscal 2022:

- Advanced work to institutionalize how we optimize external partnerships for greater efficiency, insights and impact
- Initiated the build-out of our self-serve analytics capabilities and continued incubating use cases within our advanced analytics framework

Case study

The value of a good relationship

Many of the partnerships we've cultivated over the years have been foundational to our strategies and direction as we've grown. A recent example is our relationship with Flagship Pioneering. Based in Cambridge, Massachusetts, Flagship Pioneering conceives, creates, resources and develops first-in-category life science companies to transform human health and sustainability. Moderna counts among the companies it has founded.

PSP Investments has invested in a number of these companies including, in 2021, Valo Health, a technology company working to transform the drug discovery and development process and accelerate the creation of life-changing drugs, and Repertoire Immune Medicines, a clinical-stage biotech company harnessing the power of the immune system to create novel immune therapies for cancer, immune disorders, infectious disease and other serious diseases.

Our relationship, however, is about more than just the deals and financial benefits we've both reaped. It's also about knowledge sharing and access to specialized expertise and unique insights that we can push out to our respective organizations. These early insights allow PSP Investments to play both offense and defense, alerting us to potential disruption that could present investment opportunity or risk for our portfolio.

This relationship takes on even greater importance as we pursue our *PSP Forward* strategy of establishing cross-asset-class initiatives that create more value than any one asset class can do on its own.

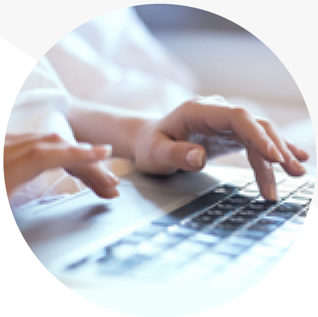
Collaborating for greater impact and insights

High-Performing Team

High-Performing Team is the strategic pillar that enables the Global Fund First and Insight Driven pillars by building the workforce needed to realize our ambitions. The ability to retain and attract the best talent globally is essential to our organization's competitiveness.

Key achievements in fiscal 2022:

- Developed a hybrid workforce model and implemented special training to facilitate the transition to a new way of working, with a heightened focus on building trust, leading with empathy, managing with accountability, leveraging our communication vehicles and promoting collaboration and employee well-being
- Continued virtual leadership training, graduating 30 directors and senior directors in our leadership journey development program, and introduced a speaker series to expose managing directors to cutting-edge thought leadership relevant to our business, workplace culture and talent



Case study

Fast forward to the workplace of the future

The disruptions to traditional workplaces posed by COVID-19 have forced a reimagining of the future of work. Many employees are looking for greater flexibility, autonomy and, importantly, meaningful and impactful work.

With our people working from home for the past two years, we learned that we can be effective working remotely. It prompted us to consider a hybrid workforce model going forward, as a means to meet our employees' evolving expectations and attract and retain top talent in an increasingly competitive environment.

To develop our model, a working group gathered input from leaders and employees across our organization, and from industry peers, partners and experts, to find out what people want most and the practices being adopted by others. The working group established guiding principles to ensure that what's most important to PSP Investments — our culture and leadership, our business performance and the employee experience — would be maintained, and better yet enhanced, no matter which model was adopted.

What we've arrived at is a model that will allow our people to enjoy the flexibility of working from home, but also come together as an organization on pre-identified days to network, share knowledge and connect socially.

We view our investments in our future workplace and in our employees' health and well-being as investments in a better tomorrow for them and for PSP Investments.

PSP Forward fiscal 2023 top priorities

As we look to the coming year, our top corporate priorities will be a continuation of the work underway in fiscal 2022. They include:

High-performing team
The war for talent and new hybrid work reality will require that we roll out our hybrid workforce model, deploy focused talent retention strategies and evolve our culture to ensure our future resiliency.

Sustainable investing
We will move forward with our climate investing strategy to accelerate AUM growth across the total fund in green assets and technologies supporting a low-carbon transition.

Global fund support model
We will continue to solidify our enterprise-wide data foundation and system integration to enable more efficient and scalable operations.

Asia-Pacific strategy
We will advance the execution of our APAC strategy to further position PSP Investments in this competitive and growing market.

Our approach to responsible investing

ESG factors are some of the most significant drivers of change today, with major implications for businesses and long-term investors. PSP Investments has a longstanding practice of responsible investing (RI) to better manage risk and generate the long-term returns needed to achieve our mandate.

Our RI activities are a key pillar of our strategy and total fund approach. Over the past several years, we've built a strong RI foundation and a robust ESG integration and active ownership framework. Our approach has matured over time, with ESG factors now included in PSP Investments' broader investment risk framework and Statement of Investment Policies, Standards and Procedures (SIP&P). The importance of ESG integration is one of our fundamental investment beliefs. We consider ESG risk factors in all of our investments and strive to capitalize on the significant investment opportunities that can arise as companies put sustainability at the centre of their strategies and operations. We remain committed to ensuring our operations and investment strategies promote positive ESG outcomes.

Our dedicated RI team is part of our Chief Investment Officer group, where they can systematically oversee and implement RI activities across the total fund. The RI team works closely with investment teams at every stage of the process to uncover new investment opportunities, steer capital toward more attractive areas and mitigate key risks.

In a break from our previous practice, our Responsible Investment Report will be released in the fall of 2022.

Our evolving ESG integration framework

A robust ESG integration framework promotes positive change on pressing social and environmental challenges, and contributes to a more inclusive, equitable and sustainable future. This framework is continually strengthened to identify emerging ESG risks and opportunities and to steer capital to investments best placed to deliver long-term value. At all times, the process is flexible and dynamic, readily adapted for different asset classes and investment strategies, and to account for emerging ESG trends.

	Investment opportunity	Investment decision	Asset management & active ownership
Internally managed investments	Identify key ESG factors and determine due diligence scope	In-depth assessment of material ESG risks and opportunities	Monitoring and re-assessment of ESG risks, opportunities and performance, shareholder engagement and proxy voting
Externally managed investments	Define due diligence scope based on investment strategy	In-depth assessment of ESG integration practices of the manager	Monitoring and re-assessment of ESG practices and engagement on ESG best practices

As shown above, ESG factors are considered at different stages of the investment process for both internally and externally managed investments. We work across all asset classes to:

- Integrate material ESG factors into the investment decision-making and monitoring processes
- Provide advice and guidance on key ESG themes and trends
- Pursue active ownership, where appropriate, through proxy voting and engagement
- Share knowledge and build internal scalability through ESG training and collaborative analytical tools

The ESG investment approach is anchored by a commitment to protect and enhance the value of our investments over the long term. The ESG integration framework supports the firm's strategy to include ESG considerations in its long-term investment decisions and to promote sustainable business practices.

We stand for equity, inclusion and diversity.

The social challenges amplified by the pandemic, and recent revelations of systemic racism and historic injustices, have sparked an awakening to the inequalities in our society.

Nurturing an inclusive and respectful work environment has been at the top of our people agenda for many years. We recognize the importance of Ei&D in attracting and retaining top talent and building high-performing teams. We also collaborate on initiatives aimed at advancing Ei&D in our industry and investments. However, organizations like ours have the responsibility — and the opportunity and capacity — to make an even greater social and economic impact.

We see Ei&D as imperative to our business success, to embracing our international presence, to fostering our global mindset and to creating a prosperous space within PSP Investments and beyond. In fiscal 2022, we advanced our journey by articulating a new Ei&D ambition, evolving our three-year roadmap for delivering on our priorities, and creating a dashboard to track progress.

Our Ei&D ambition and key principles

To become a leader in the investment industry and move our Ei&D culture beyond PSP Investments' walls to have influence and social impact on our industry.

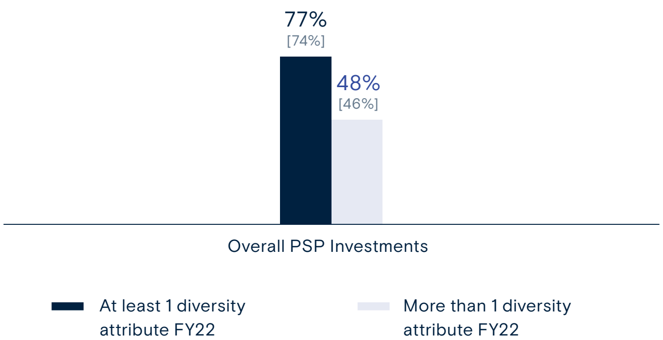
Equity	Ensuring equity among all employees by removing systemic barriers, continuously raising awareness and ensuring accessibility
Inclusion	Fostering an inclusive workplace with a strong sense of belonging, where employees feel valued, safe, respected and empowered to grow
Diversity	Ensuring a diverse workforce by closing the gap of underrepresented groups to drive innovation, improve decision-making and build resilience through diverse perspectives
Impact	Integrating our Ei&D ambition into our investment and stewardship practices to drive inclusive growth

Progress on our Ei&D journey

Over the past two years, we've conducted an annual employee self-identification survey to better understand our workforce demographics. The high participation rate, which reached 80% in fiscal 2022, gave us a clear picture of our diversity and enabled us to measure our progress. Below are some of the key findings [with comparisons to fiscal 2021 in brackets].

Overall diversity

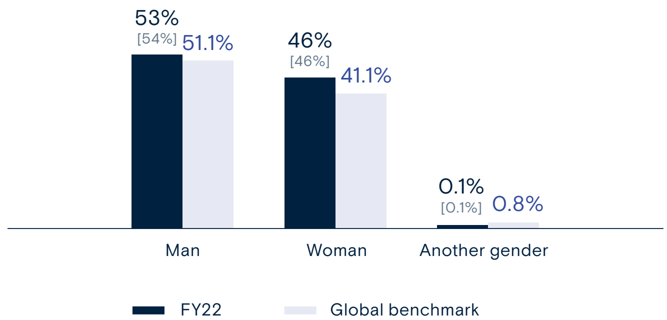
As individuals, our uniqueness is composed of multiple dimensions and intersectionalities of our diversity.



Diversity attribute refers to the characteristics that vary from individual to individual (e.g., gender, age, ethnicity, race, religion, sexual orientation, disability).

Gender

Gender is almost equally split between women and men, with the representation of women at PSP Investments higher than the global benchmark.



Our benchmark data is based on Diversio's Global Financial Sector benchmark.

Ethno-cultural diversity*

Percentage of employees identifying as White **decreases with generations,** from 93% of Boomers to 69% of Gen Z.

76.8%	[79%]	White
10.1%[1]	[3%]	Asian
5.1%	[4%]	Middle Eastern
3.0%	[3%]	Black
2.5%	[2%]	Latin American
2.5%	[9%]	Other

[1] East Asian representation amounts to 6.3, Southeast Asian 2.3%, South Asian 1.4% and Central Asian 0.1%.

* For the purposes of this report we used the term ethno-cultural, though we are conscious that not all ethno-cultural aspects are reflected in these choices.

People with disabilities

14%

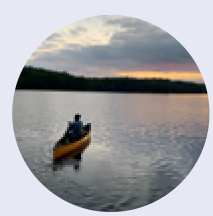
[11.5%] of employees have self-identified with having a disability.

Dependents

61%

of employees need to care for others.

Supporting Veterans and engaging employees



Our Veteran Integration Program celebrated its one-year anniversary by graduating its first two participants. Designed to support Veterans in their transition from military to civilian life, the program includes a personal development plan, coaching, mentoring and sponsorship. Participants gain meaningful experience, and develop professional networks, which they can use as stepping stones to future employment opportunities.

We also applauded four PSP Investments' Veterans who battled the elements to complete a 187-km expedition and fundraiser on the Petawawa River in support of True Patriot Love. The funds raised went toward the rehabilitation of servicemen and women, and toward their families, along various stages of their transition from the military. With PSP Investments matching the money raised by the four participants, we donated more than $62,400 to the cause.

Voting for change through our investments

One of the ways we advance Ei&D is by voting in favour of diversity on the boards of the public companies in which we invest. Through proxy voting, we have a say on the election of directors, and we use our vote to promote good governance and sustainability practices that enhance long-term financial returns.

Board diversity is one of our primary reasons to oppose the election of proposed directors. In fiscal 2022, lack of diversity represented a majority of instances where we opposed the election of directors for US and Canadian boards.

While gender diversity was our starting point, we now focus on diversity in the broadest sense. We expect the companies we invest in to be taking the necessary steps, such as adopting diversity policies and targets, to foster diversity at the board and executive levels.

In fiscal 2022, we clarified our expectations with respect to the inclusion of Indigenous rights in economic decisions by providing guidance on how we are likely to vote on certain matters put to shareholders. Going forward, PSP Investments will support shareholder proposals requesting that a company uphold the UN Declaration on the Rights of Indigenous Peoples or create a policy or program to do so. We will also support proposals that ask companies to obtain and maintain free, prior and informed consent of Indigenous people (FPIC); develop, strengthen or implement an FPIC policy or guideline; or assess and report on the adoption of FPIC policies.

Accelerating Ei&D in our industry

By collaborating with others outside our walls, we seek to drive genuine change for the better in our industry. Here are a few examples:

- Michelle Ostermann, Senior Vice President and Global Head of Capital Markets Investments, hosted the International Centre for Pension Management's new virtual series called *Global Pension Powerhouses*. The series profiles women who are shaping a more diverse approach to managing pensions and spearheading a shift in diversity within the global pension industry.
- PSP Investments signed on to the Institutional Limited Partners Association's Diversity in Action Initiative, committing to undertake specific diversity, equity and inclusion actions. The Diversity in Action framework includes a range of activities spanning talent management, investment management and industry engagement.
- As part of the Investor Leadership Network's Diversity in Investment Initiative, we contributed to the development of the *Inclusive Finance Playbook*, which provides investors with case studies and inclusion metrics that can be used for assessing company culture and employee experience.
- PSP Investments won the Excellence in Diversity and Inclusion Award, presented by the Canadian HR Awards. The award recognizes organizations that have diversity and inclusion at the heart of their business, providing inclusive workplaces for employees from several groups including women, members of visible minorities, persons with disabilities, Indigenous peoples and the LGBTQ+ community.

Unlocking potential and broadening horizons

In line with our commitments to support the communities in which we operate and to lead the development of sustainable farming practices, PSP Investments is a proud supporter of the Nuffield Farming Scholarship program. This global program aims to bring positive change to agriculture by developing the next generation of farming leaders. We sponsored three Nuffield scholars from countries in which we have extensive agriculture holdings: Australia, Brazil and Chile.

Scholarship recipients spend time overseas learning from global experts and conducting research in farming, food, horticulture, forestry or related fields. On their return home, they present their findings and recommendations at local industry forums and are expected to spread the knowledge they have gained. PSP Investments' scholarship recipients focused their studies on commercial models for drone mustering and other agtech opportunities in Australia, carbon sequestration initiatives in Brazil, and water issues in Chile.

Case study

Sowing the seeds of sustainable growth

Mahi Pono is a Maui farming company working to transform 41,000 acres of former sugar cane land into a thriving hub of diversified agriculture while helping Hawaii meet its goal of reducing food imports through sustainable local production. Created by PSP Investments and its majority-owned Pomona Farming business in 2018, Mahi Pono is a partnership with Pomona's California-based management team.

By the end of 2021, approximately 5,400 acres had been planted, with more than 1 million trees. Limes, lemons, oranges, tangerines, papaya, coffee and avocados are among the crops in the ground.

As responsible stewards of Maui's land and natural resources, Mahi Pono is committed to using industry-leading sustainable farming practices, which include water-efficient drip and fanjet irrigation systems that reduce water usage, and the installation of weedmats that reduce water and herbicide needs.

It actively supports and works with the Maui community and engages with various community groups and organizations across the state of Hawaii. This outreach culminated in an historic agreement among Mahi Pono, Hui o Nã Wai ʻEhã and the Office of Hawaiian Affairs over the company's water commitments when it comes to using West Maui streams.

Economic inclusion is a top priority, as Mahi Pono's farming activities will help accelerate Maui's economic diversification. The company aims to create long-term career paths and opportunities for island residents, with more than 800 jobs in Maui County once the crops are at full maturity. Despite the pandemic, it has continued to expand its team over the past two years.

Mahi Pono has also dedicated land for local farmers to grow crops in their community farm program and sell their produce at an on-site farmers' market. In 2021, the company launched Chef's Corner, a project that gives participating local chefs a quarter-acre plot where they can decide what's grown and get first choice to buy the produce.

Putting old devices to good use

PSP Investments is pleased to support Ordinateur pour les écoles du Québec/ Computers for Schools – Québec (OPEQ) by donating our old laptops, monitors, small printers and related equipment to this worthy cause. OPEQ then refurbishes the devices for use by schools, libraries, registered not-for-profit organizations, Indigenous communities and eligible low-income individuals.

PSP Gives Back

***PSP Gives Back* is our annual campaign to support local community needs. PSP Investments matches every dollar that employees donate, up to $2,000 per employee. Recipient organizations are selected by employees at each of our offices through an annual survey.**

In fiscal 2022, the two-week *PSP Gives Back* campaign raised close to $500,000 (including PSP Investments' donations), a 14% increase over last year's fall campaign, which we gave to various local charities, including the following:

- United Way/Centraide (Montréal)
- Fondation Dr. Julien (Montréal)
- Welcome Mission Hall (Montréal)
- Food Bank for New York City (NYC)
- Minds Matter (NYC)
- Crisis Skylight (London)
- Refuge Against Domestic Violence (London)
- Great Ormond Street Hospital Children's Charity (London)
- Po Leung Kuk (Hong Kong)

We support the transition to global net-zero emissions.

In the face of rising temperatures and extreme weather events, the world has reached a new and deepened consensus on the urgent need for all segments of society to act on climate change. We share this view and recognize the important role that investors will play in this transition.

We support the goals of the Paris Agreement, which call for holding global temperature rise to well below 2°C above pre-industrial levels, while striving to limit increases to 1.5°C. These temperature goals require the global economy to achieve net-zero GHG emissions as soon as possible, and no later than 2050.

Climate change has been a focus area for PSP Investments for many years, as we've sought to mitigate its risks to our portfolio and to capitalize on the opportunities presented by the world's transition to a global net-zero future economy. As part of *PSP Forward*, we raised our climate ambition in fiscal 2022, with a new climate change commitment and a comprehensive climate strategy. Details can be found in the Climate Strategy Roadmap posted on our website.

Our climate commitment

As a large pension investment manager, PSP Investments can play a significant role in the transition to global net-zero emissions by the way we invest and the way we use our influence. Our new climate commitment communicates our intention to act decisively on both fronts and articulates what we aim to achieve in the short and long term. We believe it aligns with and complements our mandate, and supports international climate goals.

Heading into fiscal 2023, we intend to make a *new* climate change commitment that will further guide our efforts in this area

Increase investments that will lead to a reduction in our portfolio emissions intensity over time

Increase investments in enablers of climate mitigation and adaptation

Increase investments in assets with **transition plans**

Reduce proportion of carbon-intensive investments without a transition plan

We are committed to using our **capital** and **influence** to support the transition to global net-zero by 2050

Engage with our portfolio companies to develop mature transition plans

Encourage disclosure practices aligned with TCFD

The global transition to net-zero GHG emissions is a collective priority and responsibility. By executing on our climate strategy, we expect our portfolio GHG emissions intensity to decrease by 20% to 25% by 2026 relative to a 2021 baseline[1].

[1] Preliminary modeling suggests that PSP Investments could achieve a 19% to 33% reduction in portfolio weighted average carbon intensity by 2026. Emissions target is expressed as tonnes of CO2e per $M revenue.

Our views on the transition to net-zero emissions

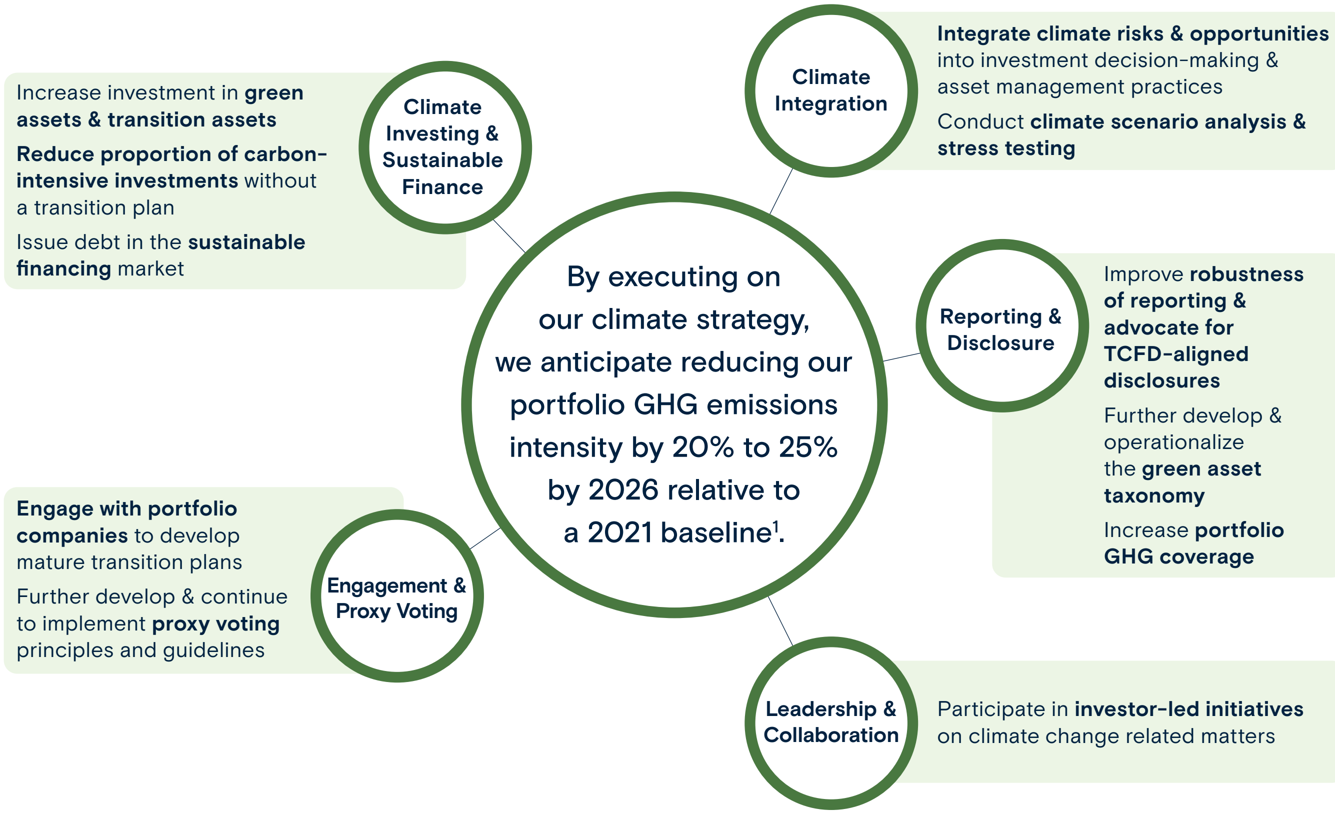
Making the changes in the real economy that are needed to achieve the Paris Agreement goals requires long-term capital from investors like PSP Investments, who can support opportunities to transition from high to low carbon. We believe that such opportunities will be available in virtually every sector of the global economy.

We also believe that the path to global net-zero emissions will not be linear and will involve a shift away from high-carbon emitting industries over many years. Long-term capital providers like PSP Investments have a role to play in ensuring a smooth transition for industries and assets that must reduce their carbon footprint over time. In many cases, we will provide the required capital to help facilitate companies' plans.

In fiscal 2022, we spent considerable time developing a framework to measure and manage our climate-relevant exposure. Our bespoke green asset taxonomy helps us measure an investment's potential to contribute to the low-carbon transition through two key dimensions: its carbon intensity and its transition plan readiness. More information about our framework can be found on our website.

Investing in transition assets is an important aspect of our enhanced climate strategy, as we believe forward-thinking companies that have solid transition plans in place and have set science-based emissions-reduction targets will outperform their peers over time. While all industries need to decarbonize to stay on a 1.5°C global pathway, the precise tactics and strategies deployed by various industries will differ. That's why we also intend to educate and influence our portfolio companies on climate change best practices, including climate governance, scenario analysis, and measuring progress against sector-based decarbonization pathways.

Our climate strategy



[1] Applies to 77% of AUM as at September 30, 2021 (unaudited mid-year AUM).

Building on work we've been doing for years as part of our responsible investment approach, our climate strategy encompasses five focus areas and several new targets. Key updates include the following:

- New investment and engagement targets to be achieved by 2026
- An increased focus on climate investing to capitalize on attractive investment opportunities from the transition to a low-carbon economy
- The issuance of green bonds to fund specific climate-related and environmental projects and to meet growing investor demand for sustainable debt products
- The creation of a green asset taxonomy, which classifies the different types of assets in our portfolio according to their impact on climate change, the carbon intensity of their business, and the credibility of their low-carbon transition plans, and will enable us to be more data-driven and monitor progress based on the like-for-like change of individual assets, investment strategies, or portfolios over time

Key targets

By 2026, we aim to:

- Increase our investment in green assets to **$70 billion** from our 2021 baseline of $40.3 billion
- Grow our exposure to transition assets to **$7.5 billion** from our 2021 baseline of $5.1 billion
- Decrease our holdings of carbon-intensive assets that lack transition plans by **50%** from our 2021 baseline
- Ensure **10%** of our long-term financing is steered toward green and sustainability-linked products

We will continue to use our influence and advocate for improved climate disclosure practices aligned with best market practices such as the TCFD recommendations. By 2026, we aim to:

- Have at least **80%** of our taxonomy in-scope assets under management disclosing robust Scope 1 and Scope 2 GHG information
- Ensure that at least **50%** of our in-scope assets under management have adopted transition plans

These targets are based on a baseline at September 30, 2021, and discussed with the executive management team and the Board in early 2022. This baseline inventory assessment found that we have $40.3 billion of green assets under management, including:

- $17.4 billion invested in dark green assets (assets that demonstrate very strong climate-related performance) across public and private markets, which are aligned to PSP Investments' Green Bond Framework and International Capital Market Association principles; this is up from $12.6 billion disclosed in our fiscal 2021 annual report.
- Approximately $21.6 billion invested in light green assets (assets that outperform a relevant sub-industry GHG benchmark) and in enablers of climate mitigation and adaptation such as technology, products and services that facilitate the transition to a low-carbon economy, or that increase resiliency to the physical impacts of climate change.

At the time of the assessment, PSP Investments had exposure to $7.8 billion of carbon-intensive assets without credible transition plans, which we aim to reduce by 50% by 2026.

Given the urgency of taking concrete action on climate change, we have adopted these short-term climate targets as part of our *PSP Forward* strategy. By executing on our climate strategy, we expect to reduce our portfolio GHG emissions intensity by 20% to 25% relative to our 2021 baseline.

For more information, please see our Climate Strategy Roadmap. We plan to report on our Climate Strategy annually in our Responsible Investment Report, together with our progress against TCFD. Our 2022 Responsible Investment Report will be issued in the fall of 2022.

Case study

Major investments in climate solutions

In July 2021, PSP Investments committed US$1 billion across the Brookfield Global Transition Fund and the TPG Rise Climate Fund, first movers in investing at scale in climate opportunities in private markets.

By committing to these two funds, we will further increase our exposure to green and transition assets with a positive impact on climate change, while also generating what we believe will be attractive financial returns. Both funds prioritize early, deep and sustained carbon-emission reductions across key sectors of the economy through science-based approaches and in financially viable ways. Our investments also provide PSP Investments with unique access to global thought leaders so that we can learn as we evolve our climate approach.

Brookfield Global Transition Fund

With plans to raise US$14.5 billion, the Brookfield Global Transition Fund became one of the largest funds in the world focused on the global transition to a net-zero economy. The Fund will build on Brookfield's leadership in renewable power and deep operating capabilities to scale clean energy and invest capital to catalyze the transformation of carbon-intensive businesses to achieve alignment with Paris Agreement goals.

In making this commitment, PSP Investments also joined founding investment partners and other leading global institutions on the Fund's Strategic Advisory Council to regularly discuss climate transition opportunities.

TPG Rise Climate Fund

TPG Rise is the largest global private markets impact investing platform, and the US$7 billion raised for TPG Rise Climate significantly expanded the platform into climate. The Fund will build on TPG's growth equity expertise to scale a wide range of commercially viable climate technologies across five climate sub-sectors: clean energy and storage, enabling solutions, decarbonized transport, greening industrials, and agriculture and natural solutions.

PSP Investments also joined the Fund's Investor Coalition, which brings together some of the world's largest institutional investors, along with its Climate Coalition of more than 20 leading companies focused on building climate solutions around the world.

New tools in the fight against climate change

PSP Investments issued an inaugural $1.0 billion, 10-year green bond in February 2022, under the Green Bond Framework released earlier that month.

Both our Green Bond Framework and our inaugural issuance will enable us to contribute to a low-carbon economy and meet growing investor demand for sustainable products. Green bond proceeds will be used to fund projects with high environmental impact or those where environmental performance will improve over time, in the following categories:

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

Our Green Bond Framework was awarded an environmental rating of "Medium Green" and the highest possible governance score of "Excellent" by CICERO Shades of Green, an internationally recognized provider of independent reviews of green bond frameworks.

Case study

Powering better futures

PSP Investments is the controlling shareholder of Forth Ports, the third largest port operator group in the UK, with ports in England and Scotland. With Scotland set to become home to multiple offshore wind developments, the nearby ports of Dundee and Leith will play a major role in enabling the energy transition and the achievement of the UK's net-zero carbon emissions targets, while supporting Scottish economic development for years ahead.

In 2021, Forth Ports completed a £40-million capital expenditure project at the Port of Dundee to house the massive wind turbine equipment needed in the construction of offshore wind developments. In addition to the construction jobs created by the project, the facilities are expected to generate well-paid green jobs for decades to come.

The Port of Leith unveiled an ambitious plan for the creation of Scotland's largest renewable energy hub on a 175-acre site. The project will include the construction of a floating wind-enabled berth, which will have in excess of 50 acres of logistics space, and a further 35 acres of quayside-linked space dedicated to building green manufacturing bases and local content. It's expected to support to up to 1,000 high-quality direct jobs and about 2,000 indirect jobs.

Case study

A big step forward

In the fight against climate change, Mosaic Forest Management, one of our portfolio companies, has taken a big step forward with the launch of the BigCoast Forest Climate Initiative. The initiative will defer harvesting on nearly 40,000 hectares (100,000 acres) of private land throughout Coastal British Columbia for at least 25 years.

By removing old forest growth from the company's baseline harvest plan, Mosaic will increase carbon storage and avoid future GHG emissions from logging operations. This reduction in GHG emissions will be packaged into high-quality, nature-based carbon credits available for sale to reputable organizations to help them achieve their net-zero commitments. What's more, a portion of the proceeds will flow each year to the Pacific Salmon Foundation and the Indigenous Protected and Conserved Areas (IPCA) Innovation Program to support scientific and First Nations cultural research on and around the project lands.

The largest initiative of its kind in Canada, BigCoast Forest will not only capture and store more than 10 million tonnes of carbon dioxide, but also conserve some of BC's oldest trees, sensitive ecosystems, wildlife habitats and drinking watersheds, as well as lands with cultural significance to coastal First Nations.

Putting people at the heart of the energy transition

Transelec is the largest electricity transmission company in Chile and the oldest direct investment in PSP Investments' infrastructure portfolio. The company was recently profiled in a BBC series called *Humanizing Energy*, launched with the World Energy Council. The series presents 12 stories focused on innovation, harnessing natural resources and reaching communities.

The Transelec story describes how the company redesigned its transmission towers to avoid disrupting a local Chilean community, in line with a national vision of an inclusive transition to net-zero. The video can be viewed on the BBC website.

We contribute to a more resilient economy and society.

By investing in key sectors, progressive companies and promising innovations, and by using our voice and influence to promote sustainable business practices, we enhance the long-term returns from our investments and contribute to a more resilient economy and society. The businesses we invest in provide value to local communities and society at large, create jobs and innovate to solve problems — and it's in everyone's interest to see them thrive and grow.

Taking a stand for the people of Ukraine

We stand with Ukraine and our thoughts are with those who are suffering immeasurably because of Russia's invasion of their country and the grave human rights violations that have occurred. In a show of support, we took the following measures in fiscal 2022:

- While we do not have material exposure to Russian investments and do not hold any private direct investments in Russia, we did have some exposure through passive index replication and external investment manager activities. We took immediate steps to divest of all our Russian investments, committing to exit this market completely as soon as conditions permit.
- As part of our *PSP Gives Back* program, PSP Investments matched every dollar donated by employees to the Ukraine Humanitarian Crisis Appeal through the Canadian Red Cross, to a maximum of $2,000 per employee. The campaign raised $139,000 over a three-week period.

Beyond the humanitarian catastrophe, the economic fallout of this crisis is having reverberations around the world, gripping financial markets and disrupting supply chains. As the situation unfolds, we are actively monitoring the evolving risks and implications for our portfolio and investment activities, and are poised to act when needed.

Preventing the spread of COVID-19

Vaccination is one of the most effective ways to prevent the spread of COVID-19. With this in mind, we implemented mandatory vaccination to help protect our employees, maintain our operations and support the Government of Canada's vaccination efforts.

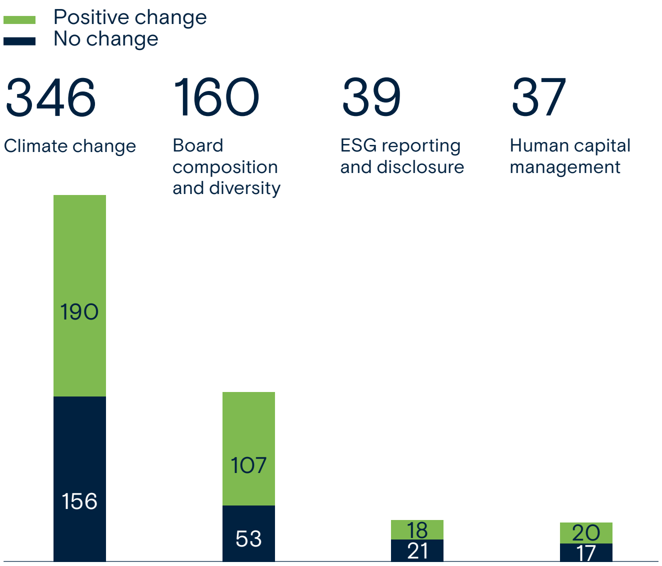
As of October 30, 2021, we require that any PSP Investments employee wishing to access our office or participate in in-person, business-related activities be fully vaccinated or have received a vaccination accommodation due to a medical condition. By our fiscal year-end, 99% of employees had declared themselves to be fully vaccinated and the remaining 1% were either on leave or received an accommodation approval.

Engaging with public companies

Where appropriate, we use our ownership positions to engage with public companies on material ESG issues, such as their corporate governance practices, human capital management and other social and environmental topics. This engagement is intended to help us understand their approaches and, where needed, to drive improvement.

In fiscal 2022, we engaged with 811 publicly listed companies whose securities we hold, either through direct engagements, with the assistance of a global stewardship service provider, or in collaboration with like-minded investors and organizations such as the Canadian Coalition for Good Governance.

2022 engagement progress



Guiding portfolio companies to good governance

We generally hold private assets for the long term and leverage our access to their management teams, and our typically larger ownership stake, to encourage sustainable management practices and strengthen corporate performance. Members of PSP Investments' management often serve on the boards of these companies and our teams are involved with them.

With the pandemic heightening companies' cyber risk exposure — due largely to increased external cyber threats and rapid digitization of business operations — we held a virtual session for the boards of some of our portfolio companies in fiscal 2022. The session covered key threats, trends and the role of directors in ensuring that a company's management team has developed appropriate defenses. In addition, our *Director's Guide to Cyber Security* helps boards assess and challenge management's cyber security preparedness, and frame board discussions on cyber readiness.

Case study

Advancing diagnosis to advance health

Founded in 1967, Cerba HealthCare (Cerba) has grown to become a leading global player in medical diagnosis, operating in some 20 countries and treating approximately 45 million patients each year. The company was one of the first laboratory networks in France permitted to perform COVID-19 testing, and it continues to develop the tools of tomorrow's medicine. Cerba HealthCare's mission is to support the evolution from a curative health system to one more focused on prevention.

In addition to its commitment to medical innovation, Cerba stands out for its entrepreneurial culture, which has fuelled its global merger and acquisitions strategy and strong organic growth execution. In 2021, Cerba acquired LifeBrain in Italy, becoming the largest network of diagnostic laboratories there. Months later, it acquired Viroclinics-DDL, strengthening its position in the entire diagnostics and clinical trial laboratory services value chain.

As a significant investor, we're pleased to assist Cerba on its journey. Our Private Equity team first invested in the company in 2017 and our Credit Investments team has since invested alongside it to bolster our support. In 2021, EQT Private Equity, a long-term PSP Investments partner, also became a significant investor, replacing an existing shareholder. The deal, which was France's largest buyout of the year, was also indicative of our track record of helping develop global champions and backing businesses with strong long-term prospects.

Case study

Bringing great food to the table

PSP Investments co-invested in a rapidly growing operator of *cloud kitchens*, which are commercial facilities purpose-built to produce food specifically for delivery. Anywhere from one to several restaurants rent space, under the same roof, to prepare menu items — thereby reducing their real estate and upfront costs. Each one has its own orders coming in directly from customers. It's a great option for budding food entrepreneurs looking to start a business or for established restaurants wanting to launch new brands.

The model has only been made possible in the last couple of years as a result of advances in technology and pandemic-driven changes in consumer habits. The company we invested in captured the attention of our Capital Markets' deal team because of its unique business model and technology-driven, scalable operations. With the pandemic changing the landscape of the restaurant industry, cloud kitchens may very well be a stepping stone to a completely different restaurant model. We see opportunities in the disruption and are pleased to be in on the ground floor.

Community-focused experiential building

Case study

Building sustainable communities

PSP Investments has co-invested in a high-profile site in London (UK), known as 105 Victoria Street, to convert one of the city's largest department stores into an environmentally friendly, mixed-use development. Once completed in 2026, the development will not only be the largest all-electric office in the UK, it will also create a new kind of community-focused, experiential building. It will offer up to 500,000 square feet of world-class workspace, retail space and the largest greenspace area in London's West End, all designed to foster the health and well-being of its end users.

105 Victoria Street will be both operational net-zero and achieve net-zero embodied carbon, using innovations in ultra-low carbon construction to minimize carbon intensity. Its energy will be supplied from fully renewable sources, with no gas supply and no diesel generator on-site, ensuring zero fossil fuels in operation and construction, and meeting the industry's highest environmental standards.

The project is also focused on social initiatives, with an extensive program being developed with the local community and stakeholders to ensure the building provides benefits to the local area. This will include dedicated flexible space for community use, engagement programs with schools and initiatives to support disadvantaged groups.

Designed with sustainability and wellness at its core and expected to have a significant positive socioeconomic impact on the local community, 105 Victoria Street is poised to usher in a new era of sustainable buildings.

Management's discussion of fund performance and results

Management's discussion of fund performance and results (the Management report) provides an analysis of the operations and financial position of PSP Investments for the year ended March 31, 2022 and should be read in conjunction with the Consolidated Financial Statements and accompanying notes for the years ended March 31, 2022 and 2021. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). In this report, we use a combination of financial measures, ratios, and non-GAAP measures to assess the performance. The non-GAAP measures used in this report do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS. This report takes into account material elements, if any, between March 31, 2022 and May 13, 2022, the date of approval of this report by the Board of Directors. Additional information about PSP Investments is available on the website (www.investpsp.com).

Forward-looking statements

From time to time, PSP Investments makes forward-looking statements that reflect management's assumptions, expectations, objectives, strategies and intentions as of the date of this report. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook", "believe", "estimate", "project", "expect", "plan", and similar terms and expressions.

By their nature, forward-looking statements require assumptions to be made and involve inherent risks and uncertainties. As a result, PSP Investments cannot guarantee that any forward-looking statement will materialize, and its future investment activities may vary from those outlined herein. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

Our mandate

PSP Investments' mandate is to manage the amounts transferred to it by the Government of Canada (the Government) for the funding of benefits earned from April 1, 2000 (Post-2000 Liabilities) by members of the public sector pension plans of the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police and, since March 1, 2007, the Reserve Force (collectively the Plans).

In accordance with the *Public Sector Pension Investment Board Act*, PSP Investments' statutory mandate is to:

a) manage amounts that are transferred to it in the best interests of the contributors and beneficiaries, and

b) invest its 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 pension plans and the ability of those plans to meet their financial obligations.

PSP Investments expects to deliver on its mandate by creating value through its strategic asset allocation, dynamic asset allocation, and active management decisions. Strategic asset allocation entails carefully designing asset classes and allocating strategic long-term targets to each of them through the Policy Portfolio and dynamic asset allocation involves navigating the asset allocation around those strategic targets over a mid-term horizon as the economic cycle evolves. Active management activities are designed to generate additional returns, through asset selection and assist in delivering on our mandate. Those activities are described further under "Investment Framework".

To deliver on its mandate and continuously evolve its competitive positioning in a rapidly changing investment landscape, PSP Investments launched in fiscal year 2022 its new long-term strategic plan called *PSP Forward*. The vision for *PSP Forward* is to be an insightful global investor and valued partner that is selective across markets and focused on the long-term. Aiming to deliver the investment returns in public and private markets that are required to meet our mandate, the strategy will advance how we position ourselves globally, steer our resources and costs on high priorities, become more insightful and data driven in our decision-making, and continue attracting and retaining a high-performance team to drive our success.

Key accomplishments for the year include finalizing the global Asia-Pacific strategy, issuing PSP Investments' first Green Bond and outlining the direction for the climate strategy, designing the new hybrid workforce model and guiding principles and advancing on efforts to modernize and simplify the technology and operating model. We continue to build on the total fund approach established in our last strategy to enhance investment performance and global operations by aligning systems, resources and investment focus.

PSP Forward will also position us to execute on our seven investment beliefs that are cornerstones of our portfolio and investment strategies.

PSP Investments' investment beliefs are as follows:

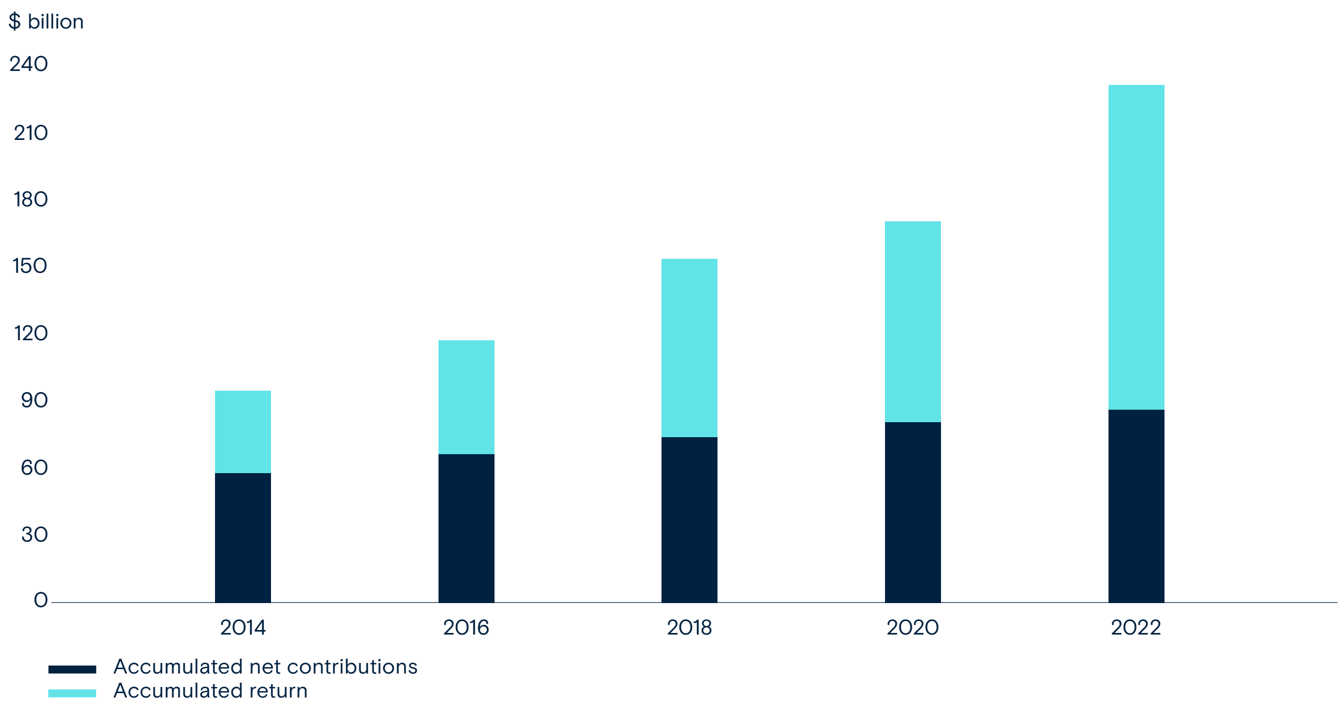
1. Portfolio Construction: Effective total fund portfolio construction is fundamental to meeting the objectives of PSP Investments' sponsor
2. Diversification and Diversity: Both diversification and diversity of approaches lead to an optimal expected risk/return profile
3. Market Inefficiencies: Financial markets are not perfectly efficient and active management can add value
4. Patient Capital: Patient capital creates opportunities to pursue strategies known to be rewarded over sufficiently long horizons
5. ESG Considerations: Identifying, monitoring, integrating and capitalizing on environmental, social and governance ("ESG") factors is material to long-term investment performance
6. Need for Knowledge: Securing collective knowledge through a combination of internal resources and external partnerships will benefit our efforts to drive value creation in active management
7. Effective Execution: Effective execution with well-structured processes increases our chances of success as an investor

Developing the capabilities to deliver on them will help achieve our mandate over the long-term and create value for the sponsor of the Plans, the Government, and manage assets in the best interest of the Plans' contributors and beneficiaries. As we will see throughout the next section, PSP Investments aims to achieve its mandate by having a robust investment approach aligned with the Government's risk tolerance.

The importance of investment returns in the funding of the pension plan obligations

At the end of fiscal year 2022, fund transfers received from the Government[1] since April 1, 2000 represented approximately 42% of net assets under management (AUM), with the remaining 58% representing investment returns earned by PSP Investments on those funds.

As the Plans mature, funds received from the Government represent a decreasing percentage of the Plans' assets. The proportion of assets coming from investment returns continues to grow and it is expected that the majority of our AUM growth in the upcoming years will come from investment returns rather than fund transfers. Having a robust investment framework aligned with our mandate and the Government's risk tolerance is therefore crucial for funding the Post-2000 Liabilities of the Plans.



[1] Transfers to PSP Investments from the Government consist of amounts equivalent to the proceeds of the employee and employer contributions to the Plans, less plan administrative expenses and amounts paid for benefits earned since April 1, 2000 (March 1, 2007, for the Reserve Force).

Investment framework

The chart below illustrates our investment framework.

Mandate

Government's funding risk tolerance communicated on behalf of the President of the Treasury Board through a Reference Portfolio

Portfolio management

Articulates our total fund approach to achieve our mandate over the long-term:

- Design
- Protect
- Enhance

Active management

Includes the execution of active investment strategies within risk limits

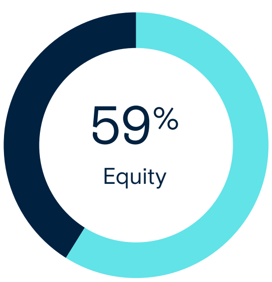
Mandate

Government's funding risk tolerance

The starting point of PSP Investments' investment framework is the Government's tolerance for pension funding risk. Unlike investment risk, which measures the impact of investment losses on the value of assets, funding risk considers the value of the assets in relation to the value of the obligations (liabilities) of the pension plans.

The Treasury Board of Canada Secretariat (TBS) communicates the Government's tolerance for funding risk to PSP Investments, on behalf of the President of the Treasury Board, through a Reference Portfolio, a simple, easily investible portfolio composed of liquid asset classes that could be passively managed. The Reference Portfolio is currently composed of 59% equities and 41% fixed income, as detailed below:

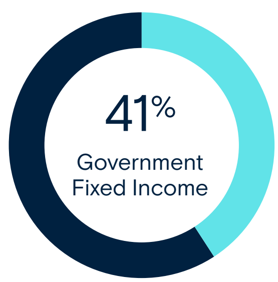
Reference Portfolio Asset Allocation



27%
EAFE Equity

19%
US Equity

13%
Canadian Equity



29%
Canadian Government Bonds

5%
World Government Bonds

5%
World Inflation-Linked Bonds

2%
Cash and Cash Equivalents

Portfolio Management

Design of the Policy Portfolio

Building on our mandate, beginning with the risk tolerance conveyed by TBS via the Reference Portfolio, the second component of the investment framework is “design”. It focuses on designing the best possible portfolio, the Policy Portfolio, to allow PSP Investments to achieve its mandate to maximize returns without undue risk of loss over a long-term horizon.

The Policy Portfolio is built as a more diversified, resilient and liability-aware portfolio than the Reference Portfolio. It articulates PSP Investments’ long-term target asset class exposures. The objective for the Policy Portfolio is to achieve a return greater than the Reference Portfolio over a period of 10 years with a lower or equal level of pension funding risk. This is achieved by including asset classes that diversify our sources of risk and return, such as Real Estate, Private Equity, Infrastructure, Natural Resources, and Credit Investments.

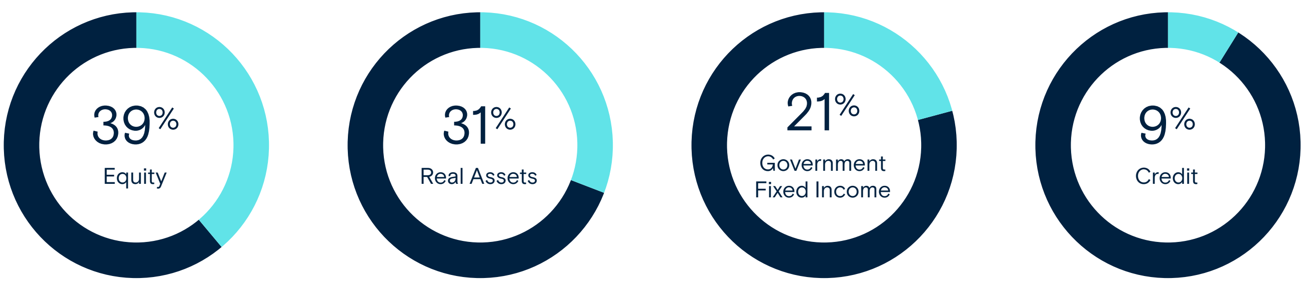
The inclusion of these asset classes is expected to provide a higher return for the Policy Portfolio compared to the Reference Portfolio without increasing funding risk for three primary reasons:

- Their inclusion improves portfolio diversification and therefore reduces pension funding risk.
- Over time, the private nature of these assets is expected to result in higher returns. The Plans’ liabilities are long-term in nature and liquidity requirements are expected to be minimal in the foreseeable future. Since it is unlikely that PSP Investments will need to sell assets quickly, we are well positioned to capture these higher returns.
- The Plans’ liabilities are sensitive to inflation. Investing in real assets that tend to offer long-term inflation protection, such as Real Estate, Infrastructure and Natural Resources better matches the liabilities of the Plans and lowers the risk of a deficit in the pension plans.

The Policy Portfolio is the predominant factor in determining PSP Investments’ return and risk over time. As such, it is reviewed annually or more frequently, if required. Each review includes an asset-liability study to ensure the Policy Portfolio accounts for specific characteristics of both the markets and the Plans’ liabilities.

Policy Portfolio asset allocation[1]

Effective during fiscal year 2022



27% Public Equity

12% Private Equity

14% Real Estate

12% Infrastructure

5% Natural Resources

19% Fixed Income

2% Cash and Cash Equivalents

Credit Investments

[1] PSP Investments recognized that some investment opportunities may be beneficial to the Plan Accounts without falling within the asset classes defined in the strategic asset allocation. Such investments (together with those in the Complementary Portfolio) have no target weight but shall not surpass 3% of the Plan Account’s value.

The Policy Portfolio integrates considerations such as diversification, leverage and currency exposure. PSP Investments uses leverage to improve its returns with careful consideration to risk and liquidity, as is further described in the "Liquidity and Capital Management" section.

PSP Investments' Board of Directors (Board) approves, and annually reviews, the Statement of Investment Policies, Standards and Procedures (SIP&P), which governs the allocation of assets under the Policy Portfolio and describes our investment approach. In addition to the allocation of assets under the Policy Portfolio, the SIP&P addresses matters such as categories of investments and loans, risk management and diversification, liquidity of investments, pledging of assets, permitted borrowings and leverage, securities lending and borrowing, valuation of investments, and proxy voting and responsible investment. This fiscal year's review of our Policy Portfolio kept our strategic asset allocation unchanged as it remained adequate given the government risk tolerance and our most recent long-term capital market assumptions.

This fiscal year also saw the review of our Currency Management Policy. We believe that some foreign currency exposures, notably the US dollar, benefit from not being systematically hedged, as they tend to appreciate versus the Canadian dollar when economic shocks occur and therefore act as a diversifier (i.e., a natural hedge against declining asset returns). The Policy Portfolio's risk-return profile is therefore improved when keeping most foreign currencies unhedged, with the added benefit of reducing long-term hedging costs and pressure on liquidity, leverage and operations. While this is true for most currencies, some currencies are risk additive, being even more pro-cyclical than the Canadian dollar, and are therefore now strategically hedged. Those currencies represent a small fraction of PSP Investments' exposures and this evolution allows to further reduce the funding risk of our strategic asset allocation.

Protect the Policy Portfolio

The next component of the investment framework is "protect". It aims to ensure that, through the implementation of the Policy Portfolio, risk and return characteristics of PSP Investments' actual portfolio are aligned to those of the Policy Portfolio.

Several mechanisms such as portfolio rebalancing (both for assets and for currencies) and risk limits are in place to ensure that the total fund's risk and return characteristics do not stray too far from the desired ones in the Policy Portfolio. Notably, the Dynamic Asset Allocation (DAA), contributes to the implementation of the strategic asset allocation. In order to reach the desired exposures, it enables a smooth transition period following the addition of a new asset class, operational constraints when ramping up or revising the targeted long-term weights. It seeks to improve the likelihood that the Policy Portfolio will deliver on PSP Investments' long-term value proposition using business cycle analysis. Additionally, to consider the mid-term economic conditions, the DAA adjusts the Policy Portfolio desired exposures to enhance the return and reduce the risk of the total fund.

In addition to DAA, Dynamic Currency Management was introduced this year to achieve similar goals for currency exposures as DAA achieves for asset allocation. It allows for the integration of operational constraints such as liquidity in the management of currencies while seeking to improve the likelihood that the Policy Portfolio will deliver on PSP Investments' long-term value proposition using business cycle analysis. As for the DAA, it adjusts the Policy Portfolio desired exposures to enhance the return and reduce the risk of the total fund while considering the mid-term economic conditions.

Enhance the Total Fund

Complementary Portfolio

"Enhance" follows the "protect" component of the investment framework. This component's objective is to improve the long-term risk-reward profile of the total fund. In support of total fund activities, the Complementary Portfolio focuses primarily on cross-asset transactions, and more generally investments that are not within the mandate of an existing asset class but are beneficial to the total fund. The mandate of the Complementary Portfolio includes i) incubating innovative strategies that are uncorrelated to general economic conditions and traditional financial markets and ii) seeking to obtain knowledge and insights with key long-term partners that can be leveraged throughout PSP Investments while providing an appropriate financial return.

Active management

Actual portfolio

The final component of the investment framework, "active management," aims to achieve a return exceeding that of the Policy Portfolio while staying within Board approved risk limits. Active management refers to investment strategies aimed at outperforming a benchmark that reflects the desired risk and return characteristics that were identified as part of the strategic asset allocation decision. In alignment with their target asset allocation and investment mandates, each asset class develops an investment strategy to deliver their target sector and geographic exposure. Each asset class does so by making investments independently, or with leading external managers and other like-minded investors and operators, in assets and securities expected to provide compelling risk-adjusted returns over their investment horizon. Asset classes are staffed across our global offices by experienced investment professionals who have a deep understanding of their industry and a valuable network of relationships. This, combined with the various means of support provided by PSP Investments, equips them to effectively research, source, execute and manage their portfolio to optimize its performance over the long-term. The asset class investment strategies which allow them to execute on their mandate are presented in their respective results section.

Responsible Investment

Environmental, social and governance (ESG) factors are some of the most significant drivers of change today, with major implications for businesses and long-term investors. These factors, including climate change, should be considered in every investment made while also capitalizing on the significant investment opportunities that can arise as companies put sustainability at the center of their strategies and operations.

ESG factors are considered at different stages of the investment process for both internally and externally managed investments. Notably, as part of our due diligence in the investment decision process, an in-depth assessment of ESG factors is performed to assess risk and opportunities. Once investments are funded, a monitoring of ESG risks, opportunities, and performance, as well as shareholder engagement is conducted on an ongoing basis.

As the importance of ESG integration is one of our fundamental investment beliefs, the objective of anchoring ESG in the investment framework is to protect and enhance the value of our investments over the long-term.

Evaluating the performance of our investment approach

As our investment approach is designed and implemented to accomplish our objective of achieving our mandate, evaluating the performance of our investment approach is important.

We measure performance across different time horizons to provide different insights. While measuring long-term performance is in line with the nature of our mandate and helps us evaluate the results of our investment decisions across market cycles, medium-term performance measures the efficiency of implementing the asset classes' investment strategies. Although we also measure performance annually, as each year contributes to the long-term performance, we do not place excessive importance on performance during any given year since we believe that it reflects prevailing temporary market conditions and volatility.

Measures of success at the total fund level

Our long-term success is measured through the following performance objectives:

Achieve a return, net of expenses, greater than the return of the Reference Portfolio over 10-year periods

As mentioned previously, our investment strategy is built to achieve a return greater than the Reference Portfolio over a period of 10 years with a lower or equal level of pension funding risk. As a result, achieving this return over the long term is our primary performance objective, as it measures the value added by PSP Investments' strategic decision to build a more diversified portfolio—the Policy Portfolio—that includes less liquid asset classes, to dynamically allocate assets over a mid-term horizon and to engage in active management strategies.

We believe a 10-year period appropriately reflects the long-term nature of our mandate and, consequently, our investment approach.

Achieve a return, net of expenses, exceeding the Total Fund Benchmark return over 10-year and 5-year periods

As mentioned previously, PSP Investments engages in active management strategies to achieve a return exceeding that of the Policy Portfolio while staying within Board-approved risk limits. In order to assess the value added by such strategies, we measure the difference between PSP Investments' net performance results and the Total Fund Benchmark. We measure such difference on a 10-year basis to align with our mandate and on a 5-year basis to assess the efficiency of such strategies at the asset class level.

The Total Fund Benchmark expresses the implementation of the Policy Portfolio and accounts for any accepted over/underweighting in the target weights of the Policy Portfolio. As a result, the performance of the Total Fund Benchmark is based on actual weights and is used to isolate the performance impact of the final component of the investment framework, namely, the active management strategies.

Asset class performance evaluation

To evaluate whether PSP Investments met the objectives set as part of the assessment of the investment approach, we use benchmarks associated to the asset classes in the Reference Portfolio and Policy Portfolio.

The benchmarks in the table below were used to measure fiscal year 2022 relative performance for each asset class set out in the SIP&P, as well as for the overall Policy Portfolio.

ASSET CLASS	BENCHMARK
Equity	
Canadian Equity	S&P/TSX Composite
US Equity	S&P 500
Europe, Asia, Far East (EAFE) Equity	MSCI EAFE
Small Cap Equity	S&P 600
Global Equity	MSCI World
Emerging Markets (EM) Equity	MSCI EM
Private Equity	Customized benchmark composed of public securities[1, 2]
Government Fixed Income	
Cash & Cash Equivalents	FTSE Canada 91 Day T-Bill
Canadian Government Bonds	FTSE Canada Universe All Government Bond
World Government Bonds	JP Morgan Government Bond Index (GBI) Global
World Inflation-Linked Bonds	Bloomberg Barclays World Government Inflation-Linked
Emerging Market Debt	Blend of customized GBI-EM Global Diversified and JPM EMBI Global Diversified[3]
Credit	
Credit Investments	Blend of BofA Merrill High Yield Indices (United States & Europe) and S&P Global Leveraged Loan Index[2]
Real Assets	
Real Estate	Customized benchmark composed of public securities[1, 2]
Infrastructure	Customized benchmark composed of public securities[1, 2]
Natural Resources	Customized benchmark composed of public securities[1, 2]
Complementary Investments	Customized benchmark composed of public securities[2]

[1] The customized benchmark is determined based on a selection of public securities within the MSCI All Country World Index (ACWI) IMI, adjusted for factors, such as leverage, and aligned with the characteristic of each asset class as set in its mandate.

[2] As a result of the decision to maintain most foreign currency exposure unhedged, the benchmarks for Private Equity, Credit Investments, Real Estate, Infrastructure, Natural Resources and the Complementary Investments are set so that they remain neutral to currency movements, meaning that the actual currency return impact on private asset classes returns is reflected in their respective benchmark.

[3] JPM EMBI Global Diversified to JPM EMBI Global Diversified ex-Russia as of March 2nd, 2022.

Analysis of our total fund results

$230.5 B
Net AUM

$22.5 B
Net Income

$204.5 B
Net AUM (FY2021)

9.8%
10-year annualized return[1]

8.6%
10-year Total Fund Benchmark return[1]

8.4%
10-year Reference Portfolio return[1]

9.0%
5-year annualized return[1]

7.9%
5-year Total Fund Benchmark return[1]

7.0%
5-year Reference Portfolio return[1]

10.9%
1-year rate of return[1]

9.4%
1-year Total Fund Benchmark return[1]

3.8%
1-year Reference Portfolio return[1]

Our long-term results

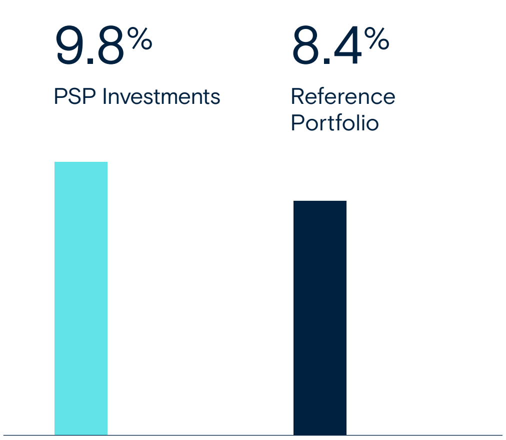
As discussed above, measures of success at the total fund level are comprised of the following three objectives and their related benchmarks against which we can evaluate the success of our long-term investment approach:

1. **Actual Return compared to the Reference Portfolio return (10-year)**

The Reference Portfolio reflects what an investor could achieve with a passive investment approach and is implemented to adjust to the Government's risk tolerance. Over the last 10 years, PSP Investments' net performance exceeded the performance of the Reference Portfolio by 1.4% per annum, or $25.9 billion. This result was achieved without incurring more pension funding risk than the Reference Portfolio. This additional 1.4% represents the value added by PSP Investments mainly through its strategic asset allocation and active management decisions, as described in our investment framework.

Return compared to Reference Portfolio return

10-year net annualized return[1]



[1] These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by our peers. The 10-year and the 5-year annualized net returns are calculated using a time-weighted return methodology. Management views the 10-year and the 5-year net annualized returns useful to evaluate the performance of our long-term investment approach and believe they are useful to the reader for the same reason.

2. **Actual Return compared to the Total Fund Benchmark return (10-year)**

This objective is used to measure the value added by PSP Investments' active management activities. Over the last 10 years, these activities generated returns that exceeded the Total Fund Benchmark by 1.2% per annum, or $16 billion. Over the past 10 years, PSP Investments' net annualized return of 9.8% was supported by strong relative performance in all markets except Private Equity. PSP Investments' outperformance of 1.2% when compared to the Total Fund Benchmark is mostly attributable to Real Estate, Infrastructure and Public Market Equities asset classes.

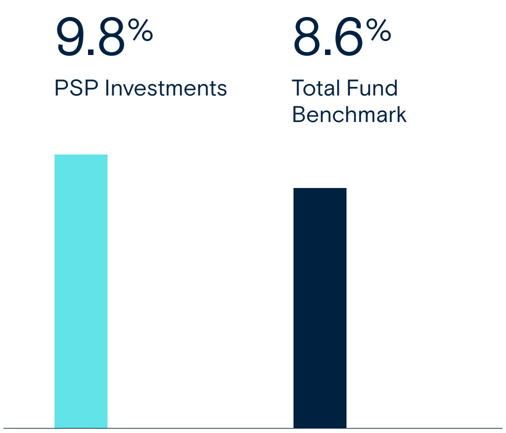
3. **Actual Return compared to the Total Fund Benchmark return (5-year)**

This objective is used to measure the value added by PSP Investments' active management activities. Over the last five years, these activities generated returns that exceeded the Total Fund Benchmark by 1.1% per annum, or $10.6 billion, with all of PSP Investments' asset classes exceeding their respective benchmarks.

PSP Investments' outperformance of 1.1% when compared to the Total Fund Benchmark was driven mainly by the strong excess performance of Credit Investments (+5.4%), Infrastructure (+4.1%) and Public Market Equities (+1.3%), as further described in the analysis of our results by asset class below.

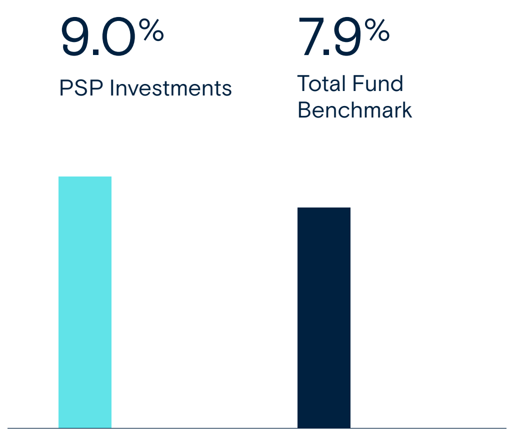
Return compared to the Total Fund Benchmark return

10-year net annualized return[1]



Return compared to the Total Fund Benchmark return

5-year net annualized return[1]



[1] These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by our peers. The 10-year and the 5-year annualized net returns are calculated using a time-weighted return methodology. Management views the 10-year and the 5-year net annualized returns useful to evaluate the performance of our long-term investment approach and believe they are useful to the reader for the same reason.

Our short-term results

Macroeconomic and financial market context

The economic backdrop in the past year has been largely characterized by a growth consolidation in the wake of the COVID-19 pandemic, coupled with rapidly rising inflation. This rebound in economic conditions has been helped by the lagged impact from loose monetary and fiscal policies, as well as elevated capital expenditures by businesses. The output levels of most economies are above their pre-pandemic peaks, while the previous high degree of unemployment in the labour market has been largely absorbed.

Measures in support of aggregate demand have allowed economies to heal following the pandemic but have also been a contributing factor to intensifying inflation pressures. The steep and broad-based rise in price levels has been exacerbated by global supply chain bottlenecks, a disruption in commodity markets due to geopolitical conflict and widespread labour shortages.

Facing the highest rates of inflation in decades, many central banks have rolled back pandemic-related asset purchase programs and commenced their rate-hiking cycles. This comes as monetary authorities are increasingly facing a trade-off between providing support for growth and maintaining their inflation-targeting credibility. The Federal Reserve and the Bank of Canada are expected to continue moving largely in lockstep by continuing to raise interest rates over the coming year.

In an environment of above-trend growth and inflationary pressures, global public market equities delivered modest returns over the past year. However, this performance came with heightened volatility as the first half of the year was marked by strong returns while, in the second half, markets were affected by central bank policies and the war in Ukraine.

On the geographical level, the multi-year outperformance of US equities continued, with interest-rate sensitive technology stocks left largely unscathed by rising bond yields. Canadian equity performance was stellar, given the benchmark's heavy weighting towards financials and energy, which benefited from the tailwinds of rising rates and booming commodity prices, respectively. EAFE equities lagged the global benchmark due to investors having remained reticent in rotating towards cyclical sectors. Meanwhile, emerging market equities severely underperformed and were dragged down by tight monetary policy and a regulatory crackdown in China.

Nominal government fixed income offered poor returns as markets increasingly ratcheted up their expectations for monetary policy tightening in the coming years. Additionally, the sharp rise in inflation expectations drove the outperformance of inflation-linked government bonds. As of the end of the fiscal year, nominal bond yields were well above pre-pandemic levels, while real bond yields remained below.

Within currencies, the US dollar appreciated against most currencies as the Federal Reserve moved away from its accommodative stance and the currency benefited from safe-haven flows related to increased geopolitical tensions. The Canadian dollar largely kept pace with the US dollar, given the surge in oil prices and the Bank of Canada's efforts to normalize monetary policy. Alternatively, major currencies such as the euro and the Japanese yen saw significant declines given their lagging central banks and the negative terms of trade impact from the need for those regions to import higher priced commodities.

In the commodity space, almost all sectors recorded rapid gains fuelled by the global demand rebound and tight supply. Oil prices moved from $65 a barrel to $105 a barrel by year-end due to supply curtailments from both OPEC+ members, as well as US shale producers. This increase was heightened by worries over disruptions due to the war in Ukraine. Copper prices also benefited from limited production capacity, as well as the increasing perception of the metal's critical role in decarbonizing the global economy in future decades. As for agriculture and natural resources, continuing supply bottlenecks and war-related disruptions led to a surge in prices.

Summary of total fund portfolio evolution

The net AUM of PSP Investments increased by nearly $26.0 billion during fiscal year 2022, among which $22.5 billion came from net income and $3.5 billion came from net fund transfers received by PSP Investments from the federal Government. The strategy to diversify into private markets has led to a steady increase in private assets. The implementation of those changes improved diversification at the total portfolio level, providing for an enhanced risk and return profile.

Over time, one of the objectives when constructing our portfolio is to ensure it is adequately diversified, including from a geographic perspective. While our allocation in North America remains the highest, reflecting the size and depth of the market as well as the favourable business environment, the allocation to emerging markets has steadily increased over the past years notably as a result of our growing allocation in emerging market debt.

Total fund performance analysis

PSP Investments recorded a net return of 10.9% in fiscal year 2022. This return was driven by strong returns in the private asset classes amid a volatile global equity environment and rising interest rates. Notably, as further described in the analysis of our asset class results, Private Equity delivered a return of 27.6% over one year, followed by a 24.8% return from Real Estate.

PSP Investments' net return for the fiscal year exceeded its Total Fund Benchmark return of 9.4% by 1.5%. This outperformance was mostly driven by the excess return delivered by Public Equity, Private Equity and Credit Investments. Real Assets, on the other hand, underperformed their benchmarks. Benchmarks for private asset classes are characterized with public securities and are designed to be representative of those asset classes over PSP Investments' longer-term investment horizon, not over shorter periods such as one year. Comparing annual performance to benchmarks designed for a longer investment horizon creates a mismatch that can lead to the observation of a sizable under/overperformance over shorter periods. Relative performance is more meaningfully assessed over PSP Investments' longer investment horizon, as presented under our measures of success at the total fund level on page 45.

The Reference Portfolio delivered a return of 3.8% in fiscal year 2022 due to its exclusive allocation to public asset classes, which recorded modest returns in global equities and negative returns in Fixed Income amid rising inflation and interest rates.

Over the long term, PSP Investments' portfolio is expected to continue achieving higher returns than the Reference Portfolio, since the former is more diversified and more resilient to the different factors impacting markets. As with the Total Fund Benchmark, comparisons with the Reference Portfolio are best considered over a time period that is aligned with PSP Investments' investment horizon, as presented under our measures of success at the total fund level on page 44.

Currency exposure

As described in our investment framework, most foreign currency exposures benefit from not being systematically hedged and act as a diversifier. Countercyclical currencies, such as the US dollar, tend to move in opposite directions of the stock market and therefore are expected to reduce losses in times of crisis, a very desirable characteristic from a total fund perspective. Given that the majority of PSP Investments' assets are denominated in foreign currencies, currency fluctuations can have a significant short-term impact on investment returns.

In fiscal year 2022, most major currencies depreciated against the Canadian dollar as commodity prices surged and the Bank of Canada turned hawkish. Currency returns reduced net income by $3.6 billion as the euro, the US dollar, British pound and Japanese yen all declined relative to the Canadian dollar. Such fluctuations are expected in the short term, given the volatile nature of currencies. In the long run, we expect currencies to act as natural diversifiers and reduce the volatility in the total portfolio's performance.

Complementary Portfolio Performance

The Complementary Portfolio seeks to ideate and incubate investment verticals with low correlations to total fund returns, as well as knowledge-driven investments in health care, technology, and other disruptive industries. In fiscal year 2022, the Complementary Portfolio began investing in climate-driven opportunities. It also strengthened its existing strategic relationships with additional commitments, developed new partnerships, and transferred select investments from other groups.

The Complementary Portfolio achieved a one-year rate of return of 16.9% in fiscal year 2022. This performance is mainly driven by investments in life sciences and artificial intelligence. Since its inception in January 2017, the Complementary portfolio has delivered an annualized return of 12.3%.

Analysis of our results by asset class

The table below presents the annual, five-year and ten-year annualized performance of the asset classes set out in the SIP&P as well as the overall Total Fund Benchmark, which is constructed using the asset class benchmarks weighted by the actual portfolio asset class weightings.

To inform on our relative performance, the return of each asset class is compared to its relevant benchmark return, while PSP Investments' overall return is compared to the Total Fund Benchmark return. The table also presents the five-year annualized return by asset class and for the total portfolio relative to their respective benchmark.

	FISCAL YEAR 2022								
				1-year rate of return (%)		5-year rate of return (%)		10-year rate of return (%)	
ASSET CLASS	Net AUM (billions $)	Net AUM (%)	Portfolio[2] income (millions $)	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Equity									
Public Market Equities (Includes absolute-return strategies, funded through leverage)	59.1	25.7	3,690	6.0	3.3	10.1	8.8	11.5	10.6
Private Equity	35.4	15.3	8,585	27.6	19.5	17.6	17.2	13.4	14.4
Government Fixed Income									
Fixed Income	40.7	17.7	(828)	(1.7)	(1.9)	2.4	2.3	3.9	3.8
Cash and Cash Equivalents	5.7	2.5	(185)[3]	0.1	0.3	1.3	0.9	1.3	0.9
Credit									
Credit Investments	21.9	9.5	1,234	7.5	(0.5)	7.9	2.6	10.9[5]	3.3
Real Assets									
Real Estate	31.1	13.5	6,430	24.8	30.2	8.7	8.0	10.4	6.7
Infrastructure	23.5	10.2	2,686	13.9	16.1	10.4	6.4	10.8	6.0
Natural Resources	11.6	5.0	1,553	15.9	26.3	8.5	7.6	11.7	6.1
Complementary Portfolio	1.4	0.6	36	16.9	3.7	12.0	4.8	12.3[4]	5.3
Total Portfolio[1]	230.5[6]	100.0[6]	23,201	10.9	9.4	9.0	7.9	9.8	8.6

All returns are calculated based on a time-weighted rate of return methodology.

1 Total portfolio return is net of all expenses.

2 This measure may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by our peers. Total portfolio return is net of interest expenses of $250 million, certain transaction costs of $53 million and other expenses of $58 million, which when added back results in arriving to Investment income of $23,562 million as reported in the Consolidated Statement of Net Income under IFRS.

3 Includes performance income from foreign currency hedging and rebalancing activities.

4 Annualized return since inception (5.2 years).

5 Annualized return since inception (6.3 years).

6 Figures do not add up due to rounding.

Capital Markets

$99.9 B
Net AUM

$97.5 B
Net AUM (FY2021)

$2.9 B
Portfolio Income

3.0%
1-year rate of return

1.3%
Benchmark return[1]

7.4%
5-year annualized return

6.6%
Benchmark return

Capital Markets is comprised of two groups: Public Market Equities[1] and Fixed Income.

Public Market Equities are managed by both internal and external managers using a combination of traditional active, alternative investments, and passive strategies. The Public Market Equities portfolio has an investment philosophy grounded in a risk-adjusted approach, which allows for the identification of the best opportunities in public equity and alternative investments. The diversified Public Market Equities team leverages external partners to complement the internal public market value proposition. Our internal equity research platform provides ongoing market insight to Capital Markets and across asset classes.

Fixed income is also managed internally and externally by an experienced team of investment professionals that invests in Corporate Credit, Global Sovereign Interest Rates, and Emerging Market Debt.

Summary of portfolio evolution

Capital Markets ended the fiscal year with a net AUM of $99.9 billion, up from $97.5 billion at the end of fiscal year 2021. The growth of the portfolio was mainly driven by positive portfolio income and deployments in new strategies, offset by a reduction of public markets exposure due to the total fund rebalancing decisions.

[1] Excludes Cash and Cash Equivalents.

Performance analysis

Public Market Equities

6.0%	3.3%	10.1%	8.8%
1-year rate of return	Benchmark return	5-year annualized return	Benchmark return

Following another eventful year marked by the worldwide emergence of highly contagious COVID-19 variants, inflation concerns, supply chain challenges, and the Russian Federation's invasion of Ukraine, global equity markets, excluding Emerging Markets, proved to be resilient, even demonstrating high levels of growth, in the face of heightened volatility. Public Market Equities, with a year-end AUM of $59.1 billion ($60.2 billion in 2021), took advantage of this unstable environment and outperformed its benchmarks by 2.65%. All underlying strategies positively contributed to outperformance.

The majority of Public Market Equities' positive relative performance in fiscal year 2022 came from Public Market Equities' alternative investments, where many investments were well positioned to take advantage of market dislocations induced by a notable increase in macroeconomic events. Additionally, as some alternative investments are built around specific opportunities driven by circumstances uncorrelated to general economic conditions and traditional financial markets, these investments contributed to the positive relative performance in fiscal year 2022 despite the equity selloff experienced in the last quarter. Another contributor to Public Market Equities' outperformance came from advantageous stock selection in the Chinese domestic market and in US small caps, which outperformed due to their presence in many cyclical industries and avoidance of technology companies. The technology sector has been negatively impacted by rising interest rates, which put pressure on long-term low-cash flow business models.

Over five years, the Public Market Equities portfolio generated a return of 10.1%, outperforming its benchmark by 1.3%. This sustained outperformance reflects the long-term resilience displayed by the Public Market Equities portfolio throughout a highly volatile period marked by the onset of COVID-19 in 2020.

Fixed Income

(1.7)%	(1.9)%	2.4%	2.3%
1-year rate of return	Benchmark return	5-year annualized return	Benchmark return

Fixed Income ended the fiscal year with a net AUM of $40.7 billion, up from $37.3 billion at the end of fiscal year 2021. The growth of the portfolio's AUM was mostly driven by external capital deployment, though all Fixed Income strategies positively contributed to the portfolio's 0.21% outperformance.

As the Fixed Income portfolio was positioned in such a way to benefit from increased rates, the portfolio outperformed its benchmark in fiscal year 2022. Massive liquidity injections from global central banks fighting recessionary pressure at the onset of COVID-19 shaped fiscal year 2022 along with rising global inflation and its unexpectedly prolonged shock on global supply chains. The Ukraine invasion, along with unprecedented trade and financial sanctions directed at the Russian Federation, also exacerbated an already worrisome inflation outlook. To counteract sustained levels of high inflation, global central banks adopted an aggressive stance in their monetary policy management—namely by increasing their policy rates.

As a result of being underweighted in emerging countries exposed to the war, the Emerging Market Debt investments contributed to the Fixed Income outperformance in fiscal year 2022. As part of PSP Investments' efforts to increase geographical diversification, as well as to enhance the risk-return profile of the Policy Portfolio, Fixed Income continued to deploy funds in the Emerging Markets Debt portfolio in fiscal year 2022. Over $5.9 billion was deployed over the period—bringing total exposure to $10.2 billion, or 4% of PSP Investments' AUM.

Over five years, Fixed Income has outperformed its benchmark by 0.1%, as a result of the portfolio's opportunistic positioning to take advantage of various movements in global sovereign interest rates and credit markets.

Private Equity

$35.4 B
Net AUM

$31.7 B
Net AUM (FY2021)

$8.6 B
Portfolio Income

27.6%
1-year rate of return

19.5%
Benchmark return[1]

17.6%
5-year annualized return

17.2%
Benchmark return

Private Equity builds strategic relationships with external fund managers and investment partners, leveraging their networks and sector and geographic expertise to source long-term co-investment opportunities.

Summary of portfolio evolution

Private Equity ended fiscal year 2022 with a net AUM of $35.4 billion, an increase of $3.7 billion from the year prior. The growth of the portfolio was driven by $6.3 billion in valuation gains and $6.4 billion in acquisitions, partially offset by $8.4 billion in dispositions and financing proceeds and $0.6 billion in currency losses.

This year, Private Equity deployed $4.4 billion of capital through funds and $2.0 billion in new co-investments as well as to support growth in existing portfolio companies. Such companies include Cerba HealthCare, a leading international network of medical biology laboratories, which pursues a highly successful global M&A strategy. New co-investments were made primarily in the US technology and health care sectors.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Private Equity is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

Total deployment was largely offset by record dispositions resulting from active portfolio management, including asset sales and refinancing. Notable asset sales include CeramTec, a leading manufacturer of high-performance ceramics, which was acquired in fiscal year 2018 in partnership with BC Partners and other co-investors.

Unfunded commitments in connection with fund investments totaled $10.3 billion at the end of fiscal year 2022. During the year, Private Equity signed new fund commitments of $2.8 billion through 22 new funds with existing external managers.

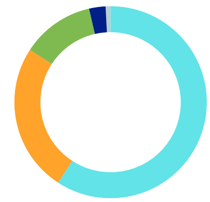
Performance analysis

Private Equity achieved a one-year rate of return of 27.6% in fiscal year 2022, compared to a benchmark return of 19.5%.

Total portfolio income reached $8.6 billion, driven by valuation gains of $6.3 billion and distributed income of $2.9 billion, partially offset by currency losses of $0.6 billion, which decreased the one-year rate of return and benchmark of the asset class by 2.3%.

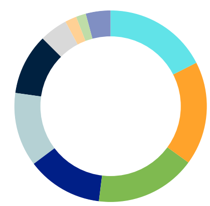
The strong performance, following similar returns in fiscal year 2021, highlights the strength and quality of the private equity portfolio, both on the co-investments and funds. In addition to a favourable valuation environment, portfolio income has been driven by strong earnings growth and cash flows. More specifically, our investments in the financials and health care sectors have strongly benefited from organic growth, accretive mergers and acquisitions and operational efficiency. Successful initial public offerings and exits completed in fiscal year 2022 also substantially contributed to the portfolio income.

Over five years, Private Equity achieved a rate of return of 17.6%, compared to a benchmark return of 17.2%, also driven by the financials and health care sectors. In addition, the most recent portion of the portfolio, invested over the past seven years following a change in asset class strategy (and which is now over 90% of AUM), has generated a five-year return significantly above the benchmark.



Geographic diversification
As at March 31, 2022 (%)

59.2	United States
25.1	Europe
12.1	Asia
2.8	Canada
0.8	Other



Diversification by sector
As at March 31, 2022 (%)

17.7	Health Care
17.4	Technology
16.9	Financials
12.9	Consumer Discretionary
12.4	Industrials
10.4	Communications
4.7	Materials
1.9	Real Estate
1.8	Consumer Staples
3.9	Other

Credit Investments

$21.9 B
Net AUM

$14.5 B
Net AUM (FY2021)

$1.2 B
Portfolio Income

7.5%
1-year rate of return

(0.5)%
Benchmark return[1]

7.9%
5-year annualized return

2.6%
Benchmark return

Credit Investments focuses on non-investment-grade credit investments in North America and Europe across private and public markets, as well as rescue financing opportunities.

From offices in New York, London and Montréal, our global team invests across the debt capital structure in the form of loans, bonds and preferred equity. The group balances credit quality, structure, fixed-floating deployment opportunity, risk-return profile, asset mix and portfolio diversification, among other considerations.

Summary of portfolio evolution

Credit Investments ended fiscal year 2022 with a net AUM of $21.9 billion, up from $14.5 billion at the end of fiscal year 2021. Net change in AUM of $7.4 billion was mainly driven by acquisitions of $12.5 billion, where record levels of acquisition activity by private equity sponsors led to significant opportunities for Credit Investments across the debt capital spectrum. Other changes included valuation gains of $0.2 billion, offset by $4.9 billion in dispositions primarily driven by opportunistic refinancing by borrowers and currency losses of $0.3 billion.

Credit Investments' portfolio is well diversified across asset types, geographies, industries and equity sponsors. The portfolio is near or at target across all measures and within concentration limits.

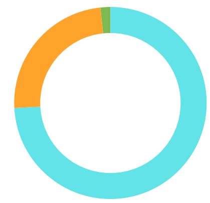
[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Credit Investments is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

Performance analysis

Credit Investments achieved a one-year rate of return of 7.5% compared to a benchmark return of (0.5)%. A substantial contributor to absolute return was the gross interest income earned as well as fee income earned on significant deployment this year. Credit Investments' outperformance versus the benchmark is primarily attributable to an interest spread above benchmark, lower fixed rate exposure versus the benchmark in a rising rate environment, and strong credit selection that resulted in no defaults within the portfolio in fiscal year 2022.

Portfolio income of $1.2 billion largely consists of net valuation gains, interest and fee income, offset by currency losses. Credit Investments was negatively impacted by foreign exchange losses due to significant underlying euro exposure, decreasing the one-year rate of return and the benchmark of the asset class by 1.8%.

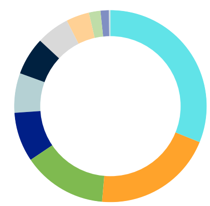
On a five-year basis, Credit Investments achieved a rate of return of 7.9%, compared to a benchmark return of 2.6%. Since inception, Credit Investments has outperformed the benchmark because of strong credit selection, higher interest spreads versus the benchmark and upfront fee income.



Geographic diversification

As at March 31, 2022 (%)

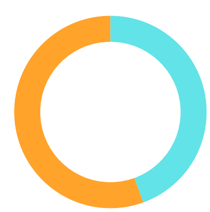
74.2	United States
24.3	Europe
1.5	Canada



Diversification by sector

As at March 31, 2022 (%)

31.2	Technology
20.3	Industrials
14.3	Health Care
8.3	Consumer Discretionary
6.5	Financials
6.5	Communications
5.6	Materials
3.7	Consumer Staples
2.0	Energy
1.4	Real Estate
0.2	Utilities



Product split

As at March 31, 2022 (%)

44.6	First Lien
55.4	Non-First Lien

Real Estate

$31.1 B
Net AUM

$26.8 B
Net AUM (FY2021)

$6.4 B
Portfolio Income

24.8%
1-year rate of return

30.2%
Benchmark return[1]

8.7%
5-year annualized return

8.0%
Benchmark return

Real Estate focuses on building a world-class portfolio of assets in major international cities, based on global themes such as technology, logistics, lifestyle, urbanization and demographics. The group prefers to own assets directly with first-class partners that have local expertise and share its approach to creating value and generating returns.

Real Estate also invests with select funds in specific markets or strategies where direct ownership is more challenging.

Real Estate contributes to the transition to a lower carbon economy through its development projects by increasing the focus towards energy efficiency and creating safe, healthy environment for tenants. We also integrated initiatives to measure the current emission footprint of the portfolio and support portfolio decarbonization in collaboration with our managing partners.

Summary of portfolio evolution

Real Estate ended fiscal year 2022 with a net AUM of $31.1 billion, a significant increase of $4.3 billion from the year prior. The evolution of the Real Estate portfolio was driven by $6.0 billion in valuation gains and $4.9 billion in acquisitions, partially offset by $6.1 billion in dispositions and financing proceeds and $0.5 billion in currency losses.

In fiscal year 2022, Real Estate focused on deploying into high conviction sectors, resulting in key acquisitions within the industrial, manufactured housing, life science and studio sectors. The low-yield environment continued, making core assets acquisitions challenging. This is reflected in the strategy behind the majority of the acquisitions that were value-add and opportunistic. The core assets we acquired were concentrated in major international cities and high growth markets.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Real Estate is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

As part of its portfolio optimization, the Real Estate group disposed of core assets in the office and industrial sectors in Canada that had attained their business plan objectives. Other dispositions included non-strategic assets in the United States, Canada, Brazil and Colombia.

Fiscal year 2022 acquisitions included:

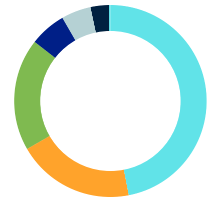
- An investment in a US age-restricted manufactured housing community with Cove Communities
- Multiple acquisitions within our US laboratory space partnership with Longfellow
- Two build-to-core investment strategies for logistics in US coastal markets and in Greater London with Bridge
- CBS Radford Studios in Los Angeles with Square Mile Capital
- We also made multiple acquisitions in developed Asia-Pacific markets with Macquarie

Performance analysis

Real Estate achieved a one-year rate of return of 24.8% in fiscal year 2022, compared to a benchmark return of 30.2%. Portfolio income of $6.4 billion was mostly driven by net valuation gains of $6.0 billion. Foreign exchange was a slight detractor of performance due to the US dollar, euro and British pound exposure, decreasing the one-year rate of return and the benchmark by 2.2%.

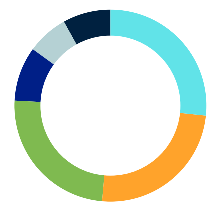
The significant valuation gains are primarily attributable to the industrial portfolio which continued to benefit from strong fundamentals, our life science portfolio which was also driven by strong fundamentals as well as the North American multi-family portfolio that saw a strong post-pandemic rebound, particularly in the US sunbelt markets. Other segments that were important contributors were US manufactured homes, European office and US mixed-use developments. On the other hand, the senior housing portfolio still has not recovered from the negative impacts of the pandemic.

Over five years, Real Estate achieved a rate of return of 8.7%, compared to a benchmark return of 8.0%. The outperformance is primarily due to the strong performance of the global logistics portfolio, the Canadian and US sunbelt multi-family portfolios, our office portfolios in Europe and Oceania as well as our niche sectors including the UK student housing portfolio, life science and manufactured housing.



Geographic diversification
As at March 31, 2022 (%)

47.1	United States
19.7	Europe
18.8	Canada
6.3	Central and South America
4.9	Oceania
3.1	Asia
0.1	Other



Diversification by sector
As at March 31, 2022 (%)

26.7	Office
24.9	Industrial
24.4	Residential
9.0	Retail
7.2	Senior Housing
7.8	Other

Infrastructure

$23.5 B
Net AUM

$18.4 B
Net AUM (FY2021)

$2.7 B
Portfolio Income

13.9%
1-year rate of return

16.1%
Benchmark return[1]

10.4%
5-year annualized return

6.4%
Benchmark return

Infrastructure invests globally on a long-term basis in the sectors of transportation, communications, and energy. The asset class provides diversification, stability, and illiquidity premiums that enhance PSP Investments' overall risk-return profile. The group added a new strategy last year that focuses on assets providing strong inflation protection.

The group has a flexible investment strategy incorporating platforms, consortium direct investments, as well as funds and co-investments. Platforms are companies we control that have sector-specific knowledge, operational expertise, key relationships, and on-the-ground presence to manage green-field assets and expand our reach in terms of access to investment opportunities. Direct investments are large minority investments alongside financial or strategic partners with strong alignment of interests between investors. Finally, funds are used to target complicated sectors or geographies that require specialized knowledge, and/or to gain access to co-investment opportunities.

Infrastructure, through its investment management and execution activities, contributes to the transition to a lower carbon economy by providing the capital and expertise necessary to build new assets and to adapt existing assets to use less fossil fuels, and to create, store, transport, and deliver lower carbon energy.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Infrastructure is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

Summary of portfolio evolution

At the end of fiscal year 2022, net assets under management totaled $23.5 billion, an increase of $5.1 billion from the year prior. The evolution of the portfolio was driven by record acquisitions of $6.1 billion and $2.5 billion in valuation gains, partially offset by $2.8 billion in dispositions and financing proceeds, and $0.7 billion in currency losses.

Infrastructure deployed $4.8 billion of capital this year in direct and co-investments and $1.3 billion through the funds. New investments supported energy-friendly transition across Europe and Oceania by acquiring equity participations in utilities and industrials, more specifically in the transportation subsector.

Notable investments included:

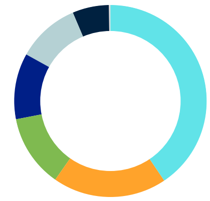
- The take-private of Spark Infrastructure which owns and manages a portfolio of electricity infrastructure assets within Australia and is well positioned to contribute to the decarbonization of the Australian energy sector.
- The acquisition of an additional stake in Angel Trains, the largest rolling stock leasing company in the UK. PSP Investments has been a shareholder in the company for the last 13 years, supporting Angel Trains' commitment to sustainability and clean transport through the continued acquisition of electric rolling stock.

Performance analysis

Infrastructure achieved a one-year rate of return of 13.9% in fiscal year 2022, compared to a benchmark return of 16.1%. Total portfolio income reached $2.7 billion, driven by valuation gains of $2.5 billion and distributed income of $0.9 billion, partially offset by currency losses of $0.7 billion, which decreased the one-year rate of return and the benchmark of the asset class by 4.0%.

Portfolio income was primarily attributable to the industrials sector, more specifically the transportation subsector, driven by airports, which have benefited from better operating performance and air traffic growth. Both the communications and utilities sectors have also substantially contributed to the portfolio income benefiting from favourable market conditions especially for investments in the renewable energy subsector.

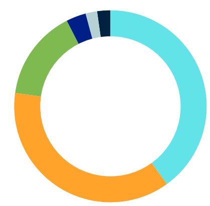
Over five years, Infrastructure achieved a rate of return of 10.4%, compared to a benchmark return of 6.4% primarily due to the strong performance of investments in the industrials and utilities sectors and, more specifically, the transportation and renewable energy subsectors respectively.



Geographic diversification

As at March 31, 2022 (%)

40.6	Europe
19.2	United States
12.3	Oceania
11.2	Central and South America
10.5	Asia
6.1	Canada
0.1	Other



Diversification by sector

As at March 31, 2022 (%)

40.1	Industrials
37.2	Utilities
15.3	Communications
3.4	Technology
2.0	Energy
2.0	Other

Natural Resources

$11.6 B
Net AUM

$9.7 B
Net AUM (FY2021)

$1.6 B
Portfolio Income

15.9%
1-year rate of return

26.3%
Benchmark return[1]

8.5%
5-year annualized return

7.6%
Benchmark return

Natural Resources focuses on real assets in agriculture and timber in investment-friendly jurisdictions around the world. The group partners with best-in-class local operators who share the group's long-term investment philosophy and responsible ESG culture.

The group targets opportunities well poised to benefit from secular trends driving continued demand growth and increasingly constrained supply. Its investments are typically underpinned by a high component of land, water or biological assets that provide the fund with significant downside protection and uncorrelated returns. The group also invests in strategic, complementary post-farmgate opportunities which increase margins and reduce cash flow volatility.

Natural Resources, through its active governance approach and investment management, contributes to the transition to a lower carbon economy. During the year, Natural Resources commenced new initiatives to measure its current emissions footprint and to support portfolio decarbonization.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Natural Resources is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

Summary of portfolio evolution

Natural Resources ended fiscal year 2022 with a net AUM of $11.6 billion, an increase of $1.9 billion from the year prior. With the addition of over 1.4M hectares over the period, Natural Resources now has a global operating footprint amounting to more than 3.6M hectares: 2.6M hectares of farmland, and almost 1.0M hectares of timberland.

Fiscal year 2022 was marked by continued strong deployment of $1.9 billion, mainly in Oceania ($0.6 billion) and the US ($0.7 billion), both in agriculture and timber, and significant valuation gains of $1.3 billion (mainly $0.7B in agriculture and $0.4B in timber). Notable developments throughout the year include:

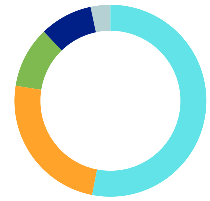
- On the timberland front: acquired over 35,500 gross hectares of predominantly loblolly pine timberlands located in the heart of Brazil's pine cluster, and over 63,000 gross hectares of softwood timber located in Northern California and Southern Oregon. This new timber platform will seek to maximize the value of the timberland by monetizing carbon stocks in addition to traditional commercial timber operations.
- In agriculture: continued to scale and grow existing agriculture joint ventures with the deployment of $1.2 billion in new farmland and developments, including the acquisition of a Brazilian row crop platform comprised of 27,000 productive hectares. The farms are located in traditional row crop regions that are geographically diversified in the States of Mato Grosso and Piaui.

Performance analysis

Natural Resources achieved a strong one-year rate of return of 15.9% in fiscal year 2022, compared to a benchmark return of 26.3%. The difference in performance relative to the benchmark mostly reflects the strong outperformance of Core Real Estate REITs, which the benchmark is heavily weighted towards.

The portfolio demonstrated robust and resilient return performance during a period of rising inflationary pressures and global political uncertainty. Total portfolio income was $1.6 billion including foreign exchange currency loss of $0.1 billion, mainly driven by net valuation gains of $1.3 billion and distributed income of $0.4 billion. A large driver of valuation gains was capitalization rate compression, notwithstanding rising interest rates and rising inflation.

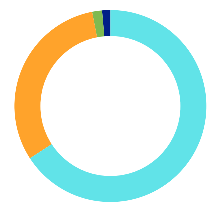
Over five years, Natural Resources generated $3.1 billion in portfolio income and achieved a rate of return of 8.5% compared to a benchmark return of 7.6%. The positive results are reflective of the long-term investment horizon, strong operating performance and accretive asset valuations of the timberland assets and agriculture investments.



Geographic diversification

As at March 31, 2022 (%)

53.1	Oceania
24.4	United States
10.5	Central and South America
8.9	Canada
3.1	Europe



Diversification by sector

As at March 31, 2022 (%)

66.1	Agriculture
30.9	Timber
1.8	Oil and gas
1.2	Other

Managing costs

Managing costs is an integral part of our focus on optimizing value and achieving maximum rate of return over the long term, and we integrate cost-benefit analyses into all our major decisions to ensure the responsible management of the resources entrusted to us. Therefore, the ultimate objective is to ensure that we maximize net return after costs and that PSP Investments' value creation is in line with its mandate.

Total cost ratio

The total cost ratio measures operating and asset management costs as a percentage of average net AUM. Asset management costs include management fees paid to external asset managers and transaction costs. Transaction costs can significantly vary year-over-year, depending on the complexity and size of private market investment activities.

Over the last 10 years, PSP Investments' investment portfolio and operations have grown significantly in terms of size and complexity, developing the global scale necessary to enhance the long-term returns and meet our mandate. This evolution included greater internal management, diversification into private markets and international expansion to benefit from local expertise to ensure we exceed our long-term return objectives. During that growth period and as expected, the total costs grew by 5.9 bps compared to 56.9 bps in fiscal year 2013. Building these new capabilities allowed us to develop a platform for continued growth and to maintain PSP Investments' longstanding competitiveness.

Over the past five years, total costs decreased from 69.8 bps in fiscal year 2018 to 62.8 bps in fiscal year 2022 showing signs of scalability while managing an increasingly complex investment portfolio. As part of PSP Investments' strategic plans, we built our total fund investment management approach, increased our active management in public market and expanded our private market investment capabilities to reach our long-term policy portfolio allocation targets. To tap into international opportunities and execute on our global strategy, we built a local presence in London, New York and Hong Kong by opening new offices, attracting talent and expanding our investment opportunities.

PSP Investments' total cost ratio decreased from 67.1 bps in fiscal year 2021 to 62.8 bps in fiscal year 2022. The year-over-year decrease in the cost ratio means that total costs are increasing at a lesser pace than the average net AUM (10.6% versus 18.0%) mainly due to a lower increase in management fees combined with strong net returns in fiscal year 2022.

It is worth noting that our total cost ratio of 62.8 bps in fiscal year 2022 is below our expected average costs and represents the lowest ratio in the last seven fiscal years. This lower ratio can be explained by sound cost management combined with an 18.0% increase in average net AUM, representing the highest growth for the same period.

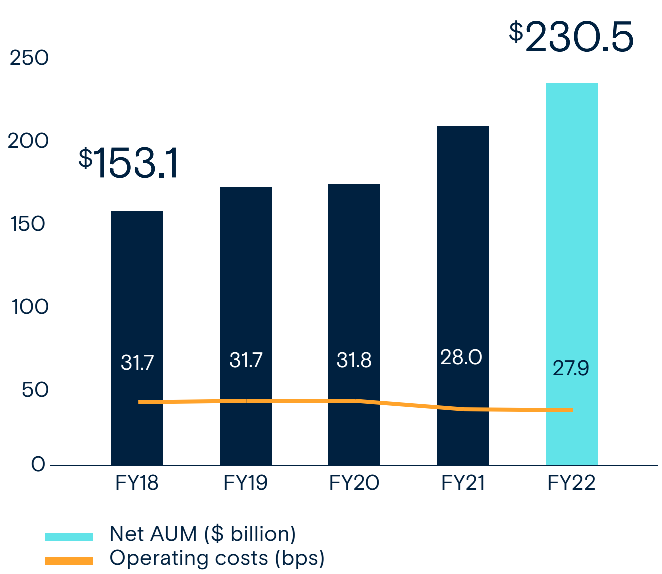
Operating costs

To deliver on its mandate and continuously evolve its competitive positioning in a rapidly changing investment landscape, PSP Investments launched its new long term strategic plan. Successfully executing on our global strategy and continuing to position the organization for growth require multi-year investments to optimize our operations, retain and attract the best talents and also expand our international presence. Investing in multi-year initiatives benefits the organization over the long term, emphasizing the importance of leveraging forward-looking analyses when making decisions on our cost structure.

Total operating costs[1] amounted to $612 million in fiscal year 2022 and reflect our focus on innovation and optimization as well as our response to the competitive talent market. These investments, combined with the measures taken by management in fiscal year 2021 to contain costs during the COVID-19 crisis, translated into an increase of $91 million compared to $521 million in fiscal year 2021.

In fiscal year 2022, salaries and employee benefits totaled $365 million, compared to $322 million in fiscal year 2021 and to $319 million in fiscal year 2020. PSP Investments had 895 employees as at March 31, 2022, mostly stable as compared to 897 employees as at March 31, 2021. Total fund's relative performance and the competitive talent market mainly explained the increase in salaries and benefits, while PSP Investments was able to maintain a stable workforce despite the highly competitive and volatile talent market.

Operating costs grew by 17.4% in fiscal year 2022 versus 11.2% relative to fiscal year 2020, primarily resulting from the measures taken by management to contain costs during the COVID-19 crisis. During the same period, PSP Investments continued to generate strong net income as the market recovered, translating into a higher ending AUM of $230.5B versus $204.5B in fiscal year 2021. The operating costs increase was lower than the average AUM growth of 18.0% and was in line with PSP Investments' strategic and operational priorities of furthering talent retention and total fund performance. Furthermore, the AUM and operating costs growth combined resulted in an operating cost ratio of 27.9 bps, representing a 0.1 bps decrease versus fiscal year 2021 (28.0 bps).



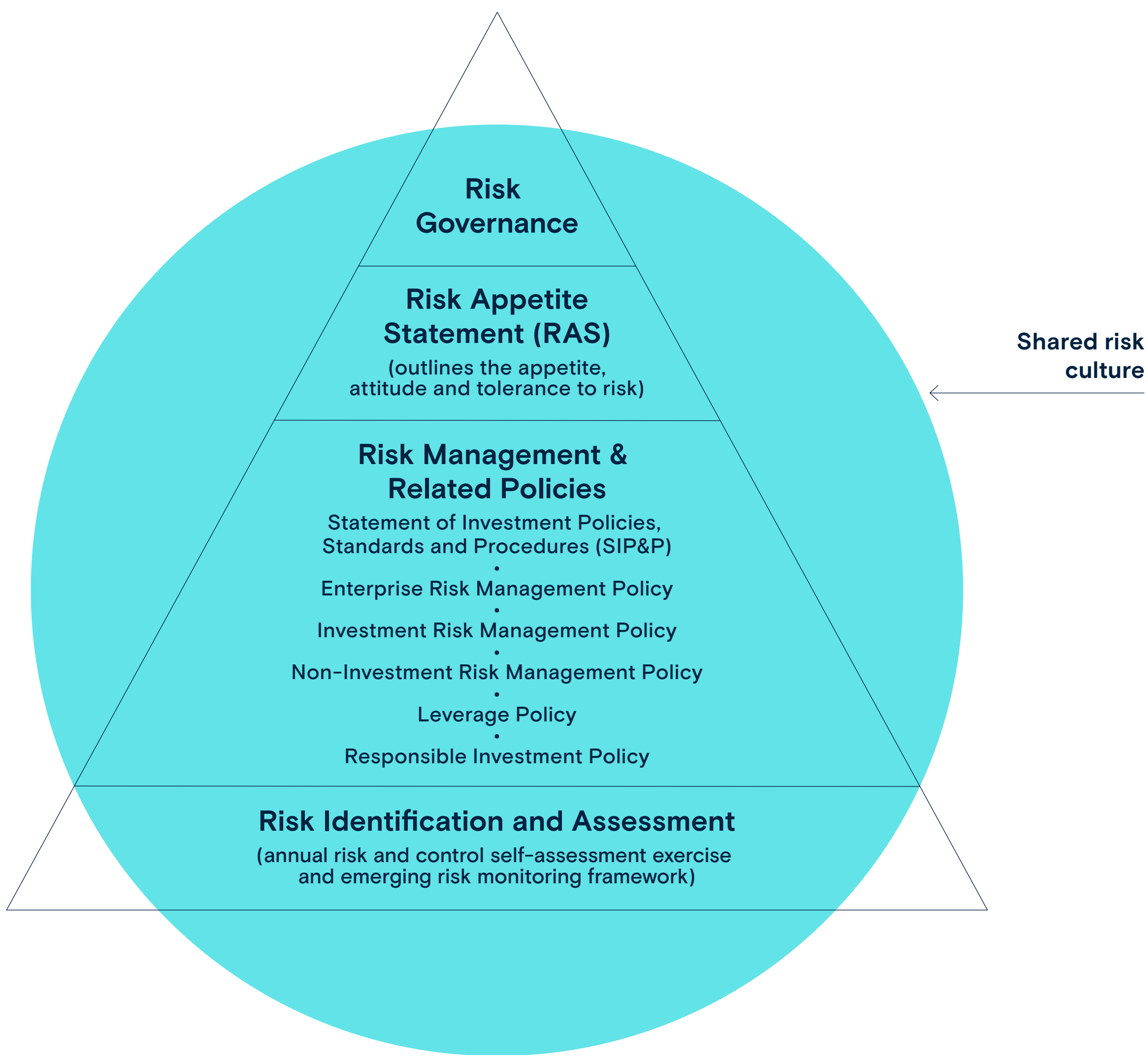
[1] This measure does not have the standardized meaning under IFRS as disclosed in the Consolidated Statement of Net Income. Operating costs exclude $24 million of other recovered expenses ($11 million of other recovered expenses in 2021), in connection with the remeasurement of certain operating liabilities (not subject to cost ratios), which when added back result in Operating expenses of $588 million ($510M in 2021) as reported in the Consolidated Statement of Net Income under IFRS.

Enterprise risk management

To achieve our mandate and deliver on our commitment to stakeholders, PSP Investments must take calculated risks and manage them appropriately. We follow a disciplined, integrated approach to risk management, and we strive to maintain a strong risk culture, in which all employees share responsibility for risk identification, evaluation, management, monitoring and reporting.

Risk management framework

Our enterprise-wide risk management framework supports prudent risk-taking while striking the appropriate balance between risk and reward to achieve our strategic objectives. Each of the subsequent sections describes the elements of the framework.



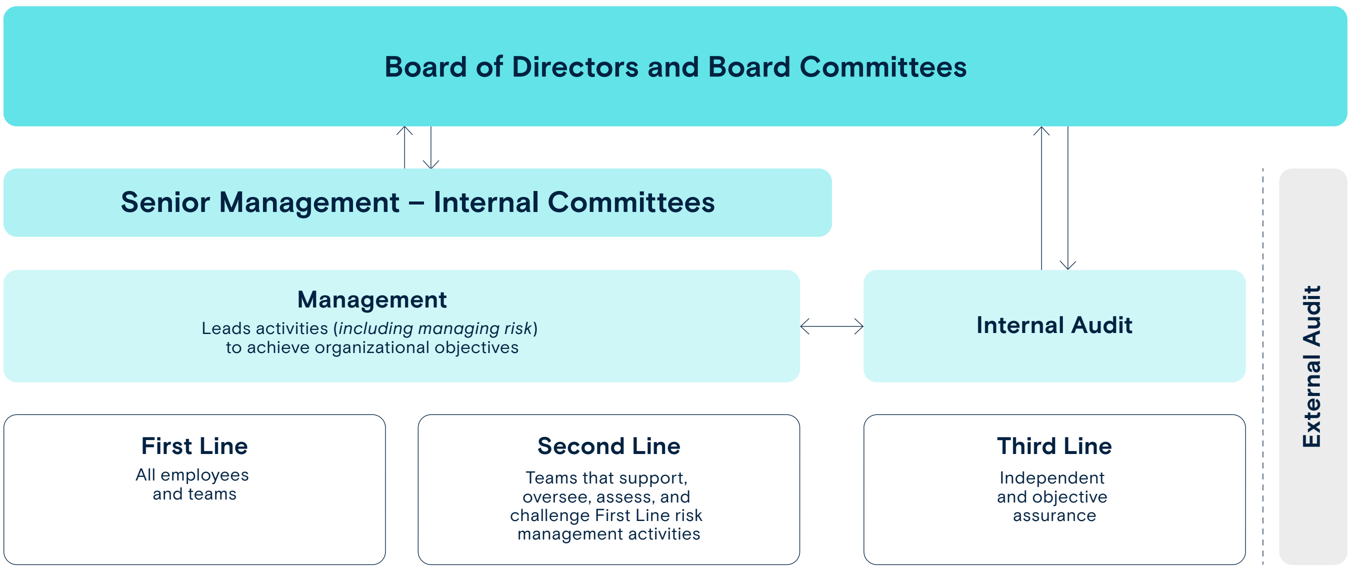
Risk governance

Effective risk management starts with risk governance. At the top of the governance structure, the Board provides oversight. The Board reviews and approves the Risk Appetite Statement (RAS), the SIP&P and the Policy Portfolio. It also ensures that management has put in place an effective enterprise risk management approach and framework. The Board is regularly apprised of material risks and how management is responding to them.

Specific risk-related responsibilities are divided among Board committees and outlined in their respective terms of reference.

The risk management framework is anchored in PSP Investments' Three Lines approach to managing risk to ensure accountability, alignment, collaboration and coordination.

Governance Model



Risk Appetite Statement

The Risk Appetite Statement (RAS) specifies the level and principal types of risk that PSP Investments is willing to take in order to meet its strategic objectives. Reviewed annually, the RAS formalizes and combines the key elements of risk management at PSP Investments. It sets basic goals, parameters and limits for the risks assumed, and provides thresholds for ongoing investment activities. The RAS is summarized in the Risk Appetite Overview posted on our website and shared with all employees to promote transparency and risk culture.

Risk management and related policies

PSP Investments acknowledges that it must take risks to achieve its statutory mandate and that the management of the full spectrum of risks must be integrated on an enterprise-wide basis. Key policies which outline the guiding principles governing PSP Investments' overall philosophy, values, culture and approach with respect to risk management are listed below along with the risk categories they seek to mitigate.

Enterprise risk categories

Investment risk	Supporting Policies	Non-investment risk	Supporting Policy
• Market risk • Liquidity risk • Credit and counterparty risk • Concentration risk • Leverage risk • ESG risk	• Statement of Investment Policies, Standards and Procedures • Investment Risk Management Policy • Leverage Policy • Responsible Investment Policy	• Financial crime and fraud • Reporting and taxation • Strategic or business • Legal, contractual or regulatory • Digital asset • Operational • People	• Non-investment Risk Management Policy and specific policies to related risks

Risk identification, assessment and monitoring

We conduct an annual, enterprise-wide risk and control self-assessment exercise to identify and evaluate key risks, and to assess the adequacy and effectiveness of mitigation activities. The exercise is a core component of the risk management framework and contributes to its ongoing refinement.

The Board participates in it, and provides a top-down complementary review, through an annual risk-identification survey.

Risks inherent to PSP Investments are identified through this exercise and are periodically monitored throughout the year. External risks are also monitored regularly and the most relevant ones are integrated as appropriate. This results in a comprehensive identification of our most significant risks that takes into account the internal and external risk environments. By highlighting the organization's top risks, these activities ultimately support the corporate business planning process and ensure that risks are factored into PSP Investments' overall strategy.

In addition, an emerging risk monitoring framework has been implemented to identify, assess, and monitor new and evolving risks that have the potential to impact our objectives. This framework complements and supports existing risk processes by centralizing and coordinating our efforts to manage emerging risks, when needed.

Shared risk culture

We believe that risk management is the responsibility of every employee. Leaders promote a risk-aware culture by communicating this responsibility effectively. All employees are designated risk assessors or owners. They are empowered with clear limits and guidelines to manage and report risks, and to escalate issues if necessary.

Risk Management is headed by the Senior Vice President and Chief Financial & Risk Officer who reports to the President and CEO. The Investment and Risk Committee of the Board meets quarterly with the Chief Financial & Risk Officer in in-camera meetings.

Liquidity and Capital Management

Liquidity management

Objectives

PSP Investments holds sufficient liquidity to meet its financial obligations, stay on course with its strategic capital deployment and maintain its target asset mix while protecting its credit rating. Its liquidity is managed in a prudent way while allowing sufficient agility to capture investment opportunities. The goal is to optimize PSP Investments' use of its financial assets while maintaining a liquidity risk profile in line with its risk appetite, and reducing the risk of liquidating investments unexpectedly and potentially at unfavorable prices.

Governance and management

PSP Investments adopts a total fund approach by actively managing liquidity through a centralized platform, namely, the Corporate Liquidity Fund ("CLF"). The CLF is managed to provide efficient funding to asset classes and maintain sufficient levels of liquidity in times of market stress. The primary objectives of the CLF are safety of capital, liquidity and collateral eligibility. The CLF is comprised primarily of highly rated government or government-related fixed income securities to meet its collateral requirements. In addition to fund transfers referred to in the "Capital Management" section below, PSP Investments receives recurring cash flows from its private investments, adding to its sources of liquidity.

Risks and stress testing

The CLF is subject to risk limits based on the Liquidity Coverage Ratio framework which is the industry best practice in liquidity management. Such limits include several metrics that take into consideration credit rating, portfolio duration, maturity, collateral eligibility, nature of the investment as well as concentration. In addition to such limits, sensitivity analyses, stress testing and scenario analyses are performed in order to ensure that sufficient liquidity is in place for operational needs such as debt repayment and collateral calls in times of market stress such as in the cases of the related market disruptions at the onset of the pandemic or the escalating conflict between Ukraine and the Russian Federation.

For further details on liquidity risk, please refer to Note 7.3 of the Consolidated Financial Statements.

Capital management

The capital structure of PSP Investments consists of fund transfers as well as leverage.

Funds transfers

As described in our mandate, PSP Investments receives fund transfers from the Government and invests these in the best interests of the beneficiaries and contributors under their respective Acts. The funds received are invested 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 those Plans to meet their financial obligations. The funds are invested in accordance with the Investment Risk Management policies established as an element within the enterprise risk management framework.

Leverage

PSP Investments believes in the prudent use of leverage to enhance returns and manage liquidity, while protecting its credit rating issued by recognized credit rating agencies.

PSP Investments adopts a holistic approach in managing leverage with the primary objective to ensure efficient leverage allocation at the total fund level. Sources of leverage are allocated to asset classes according to total fund risk limits, asset classes' respective business plans and budgets.

Global Debt Program and Green Bond Framework

As part of its leverage PSP Investments maintains a capital debt program consisting of the private placement of short-term promissory notes and medium-term notes as part of the Global Debt Program. The capital raised is primarily used to finance private market investments. Fiscal year 2022 also marked PSP Investments' inaugural issuance of a Green Bond under its Green Bond Framework within the program. Issuing Green Bonds through the multi-currency Global Debt Program promotes access to a growing market with increasingly diversified sources of funding, answers PSP Investments' needs, the investors' demand and ESG requirements.

Guarantees, Indemnities and Commitments

Guarantees and indemnities

In the normal course of business, PSP Investments provides indemnifications to its Directors, its Officers, its vice presidents and to certain PSP Investments representatives who are asked to serve on boards of directors or investment advisory boards of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. In certain cases, indemnification is also provided to third parties and as a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

In certain investment transactions, PSP Investments and its investment entity subsidiaries also provide guarantees or issue letters of credit to third parties. These agreements ensure that investment entity subsidiaries and certain investees are supported in the event of a default based on the terms of the respective loan or other agreements. As at March 31, 2022, the maximum amount of the obligations which could be assumed by PSP Investments and its investment entity subsidiaries in relation to such guarantees was $2,051 million, compared to $2,239 million in the prior year, while it was $1 million, compared to $93 million in the prior year for letters of credit issued.

For further details on guarantees and indemnities, please refer to Note 16 of the Consolidated Financial Statements.

Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. As at March 31, 2022, these commitments amounted to $28,834 million, compared to $27,234 million in the prior year. The increase compared to last year was due to new investments in the year primarily in real estate and private debt securities.

For further details on commitments, please refer to Note 17 of the Consolidated Financial Statements.

Governance

PSP Investments is committed to upholding high standards of corporate governance and ethical conduct.

Why it matters
We believe that good governance strengthens our decision-making, processes and controls, and is essential for fulfilling our statutory mandate.

Our Board of Directors sets the tone for a culture of integrity, accountability and compliance. The Governance Committee of the Board is specifically charged with monitoring governance matters and ensuring that PSP Investments meets robust standards, in keeping with evolving regulatory requirements and stakeholder expectations.

Highlights of our corporate governance framework and practices

- Separation of Chair from President and CEO
- Succession planning for the President and CEO and key executives
- Independence of all Board members
- Gender balance on the Board with women representing more than 50% of directors and, as of fiscal 2023, chairing all Board committees
- Annual review of the Board's skills, competencies and diversity matrix and director succession planning
- Annual strategy session
- Annual Board evaluation process
- Ongoing director education program
- Onboarding program for new directors
- *In camera* sessions at all regular Board and committee meetings
- Terms of Reference for the Board, all committees and chairs
- Anonymous reporting framework for suspected wrongdoings and compliance culture
- Annual review of risk appetite, risk policies and risk limits and framework

In this section, we discuss key governance activities undertaken in fiscal year 2022 and provide an overview of our governance framework and practices.

Governance framework

PSP Investments is a Crown corporation that operates at arm's length from the Government of Canada. Our governance framework is outlined in the *Public Sector Pension Investment Board Act* (the "Act") and includes our statutory mandate, the responsibilities of our Board and our reporting obligations to the Government and to pension plan contributors and beneficiaries.

Board responsibilities

In accordance with the Act, the Board of Directors manages or supervises the management of the business and affairs of PSP Investments. In discharging their duties, directors are required to act honestly and in good faith with a view to the best interests of PSP Investments, and to exercise the care, diligence and skill that a reasonable person would exercise in comparable circumstances. The Board performs three vital functions:

Role	Description
Decision-making	The Board maintains decision authority over certain matters, including powers that cannot be delegated under the Act. The Board exercises these powers upon recommendation by senior management, where appropriate.
Oversight	The Board monitors performance and provides direction and guidance with respect to the management of the business and affairs of PSP Investments.
Insight	The Board provides insight on various matters including strategy, stakeholder relations, human resources and risk.

The Board's specific responsibilities include:

- Determining the organization's strategic direction in collaboration with senior management
- Selecting and appointing the President and CEO and annually reviewing his or her performance
- Reviewing and approving the SIP&P for each pension plan on an annual basis
- Ensuring that risks are properly identified, evaluated, managed, monitored and reported
- Approving benchmarks for measuring investment performance and for incentive compensation purposes
- Establishing and monitoring compliance with PSP Investments' Code of Conduct
- Approving human resources and compensation policies related to attracting, developing, rewarding and retaining PSP Investments' talent
- Establishing appropriate performance evaluation processes for Board members, the President and CEO, and other members of senior management.
- Approving quarterly and annual financial statements for each pension plan and for PSP Investments as a whole.
- Establishing Terms of Reference for the Board, Board committees, and Board and committee chairs.

Board committees

The Board fulfills its obligations directly and through four standing committees:

- **Investment and Risk Committee** — Oversees PSP Investments' investment and risk management functions
- **Audit Committee** — Reviews financial statements and the adequacy and effectiveness of internal control systems, and oversees the internal audit function, and is responsible for matters relating to technology and cybersecurity
- **Governance Committee** — Monitors the effectiveness of the Board, reviews related governance policies, and oversees communication, responsible investment and compliance matters including the application of the Code of Conduct
- **Human Resources and Compensation Committee** — Ensures policies and procedures are in place to manage the human resources function efficiently and effectively, and to offer all employees fair and competitive compensation aligned with performance and risk targets

The responsibilities of the Board and its committees are more fully described in their respective Terms of Reference, which were reviewed in fiscal 2022.

Learn more
Terms of Reference

Special Committee of the Board

As part of the announced upcoming retirement of the President and CEO, the Board of Directors established a Special Committee to assist with the identification, selection and recommendation of candidates for the President and CEO position. The Special Committee is working with a recruitment provider to identify candidates. The Special Committee is composed of the following directors: Maryse Bertrand (Chair), David C. Court, Martin Glynn, and Miranda C. Hubbs.

Reporting obligations

PSP Investments reports to the ministers responsible for the four pension plans through its quarterly financial statements and annual report. The annual report must also be made available to pension plan contributors and is tabled in each House of Parliament by the President of the Treasury Board.

PSP Investments is required to meet once a year with the advisory committees for the pension plans, and last did so on June 16, 2021. We are also required to hold an annual public meeting. The most recent meeting was held on September 28, 2021.

Pursuant to the *Financial Administration Act*, PSP Investments must undergo a yearly external audit. The Auditor General of Canada and Deloitte LLP serve as our joint external auditors and are also responsible for conducting special examinations at least once every 10 years. A special examination was performed in fiscal 2021. No significant deficiencies in the corporate management practices or management of investments and operations of PSP Investments were found during the audit. The report concluded that PSP Investments generally maintained reasonable systems and practices for accomplishing its mandate. Some areas of improvement were identified and PSP Investments is in the process of addressing all recommendations.

Ethics and Compliance

PSP Investments firmly believes in the importance of exemplary and ethical behaviour.

We have developed a Code of Conduct for Directors, Employees and Consultants that provides a practical framework to help individuals better understand PSP Investments' principles, values and expected practices and behaviours.

The Code of Conduct includes principles related to behaving respectfully and appropriately, obeying the letter and spirit of the law, protecting PSP Investments' assets and information, and managing conflicts of interest. Rules have also been established for the reporting of any real, potential or perceived conflicts of interest by directors, employees and consultants. In addition, the reporting of any suspected wrongdoing is strongly encouraged. Incidents can be reported without fear of retaliation through various means, including an anonymous reporting tool. Each year, directors, employees and consultants must confirm in writing that they have complied with the Code of Conduct.

Learn more

Code of Conduct for Directors, Employees and Consultants

Responsible investment

Our Responsible Investment 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 to integrating ESG factors into our investment process and working as active stewards of the assets we manage. PSP Investments' responsible investment approach is aligned with our investment mandate and total fund perspective, and grounded in the 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 enhances the long-term performance of the total fund, by helping us find new opportunities, steer our capital toward more attractive areas and mitigate key risks. The Board fully supports PSP Investments' approach to responsible investment, and ESG-related topics are presented and discussed at each regular Board meeting. Climate change risks and opportunities were key topics in fiscal 2022. With the support of the Board, PSP Investments implemented a new climate strategy.

More information about PSP Investments' responsible investment activities (including the new climate change strategy) can be found on pages 20 to 21 and pages 26 to 31 of this report or on our website, and in the Responsible Investment Report to be issued in the fall of 2022.

Board procedures and effectiveness

PSP Investments' Board plays an active role in decision-making, management oversight, and in providing strategic input.

Some of the Board's authority is delegated to senior management. For example, the Board has delegated to the President and CEO the authority to manage and direct the day-to-day affairs of PSP Investments. It also delegates certain powers and responsibilities to its Board committees.

There is frequent discussion at the Board and Board committee levels between directors and senior management. Board members and senior management hold an annual strategy session for in-depth discussions on investment and risk-related topics. The past year's session was held virtually and included a detailed review of our asset class strategies.

All regular Board and Board committee meetings include *in camera* sessions with no members of senior management present. The Board has separate *in camera* meetings with the President and CEO. The Audit Committee has private meetings with the internal and external auditors, and with the Chief Financial Officer, while the Investment and Risk Committee meets privately with the Chief Risk Officer and the Chief Investment Officer. The Human Resources and Compensation Committee meets privately with the Chief Human Resources Officer. The Governance Committee also meets privately at least once a year with the Chief Compliance Officer.

The Board and Board committees may consult with external advisors. During fiscal 2022, the Human Resources and Compensation Committee, the Governance Committee and the Special Committee for President and CEO succession each sought the services of an external consultant.

The Governance Committee oversees the formal process for evaluating the performance of the Board Chair, the chairs of Board committees, individual directors and the Board as a whole. All directors, as well as the President and CEO, and select senior management members, participate in the evaluation process. The Chair of the Governance Committee and the Chair of the Board present the evaluation results to the Board. The ensuing discussions focus on achievements, expectations, concerns and opportunities for improvement. Any measures deemed necessary are subsequently implemented.

At the management level, the Board conducts the evaluation of the President and CEO and oversees the evaluation and development of senior management. It also ensures that compensation programs are aligned with PSP Investments' objectives and strategic plan so as to provide balanced performance-based compensation that rewards prudent risk-taking. The Board is also fully committed to developing PSP Investments' talent to ensure the emergence of the next generation of leaders.

Fiscal 2022 key activities

The Board established the following three priorities:

1. **Strategy**
Review the level of ambition of the strategic plan and establish key performance indicators to measure progress.

2. **Culture oversight**
Define PSP Investments' desired culture, cultural evolution roadmap and success measures. Ensure that proper oversight of culture is provided by the Human Resources and Compensation Committee and Board to enable our *PSP Forward* strategy, nurture the employee experience, foster a truly inclusive workplace and manage reputational risks.

3. **Senior management succession planning**
Oversee a robust executive succession planning process by identifying and developing long-term successors to the President and CEO and Senior Vice Presidents.

These priorities were tracked quarterly by the Board and meaningful progress was made in each area. The key activities of each of the Board committees in fiscal 2022 are described below:

Board Committees	Key activities
Investment and Risk Committee	• Reviewed and approved several investments, in addition to receiving quarterly reporting on investments approved under the Delegation of Investment Authorities • Approved changes to the Risk Appetite Statement, Board risk limits framework and risk policies • Reviewed PSP Investments' top investment and non-investment risks and how these risks are being addressed • Reviewed PSP Investments' Capital Markets strategy • Approved the Global Medium-Term Notes Program • In collaboration with the Governance Committee, reviewed the Delegation of Investment Authorities
Audit Committee	• Received reporting on the cyber risks faced by PSP Investments, the organization's maturity level in managing cyber risks and plans to address these risks • Reviewed PSP Investments' valuation procedure for private market assets • Reviewed PSP Investments' taxation strategy • Recommended for approval by the Board a new strategic partnership related to the outsourcing of certain technology functions • Provided oversight on a strategic initiative related to the Global Fund Support Model
Governance Committee	• Recommended for Board approval committee composition changes, including new chairs for the Audit Committee, Governance Committee, Human Resources Committee and Investment and Risk Committee as part of the director succession plan • Assisted with the recruitment of new directors and renewal of the terms of existing directors • Reviewed the directors' onboarding program in preparation for the appointment of new directors • Recommended for Board approval amendments to the Board and committee Terms of Reference • Reviewed PSP Investments' approach to responsible investment and reporting on related activities and recommended for Board approval enhanced disclosure on climate change risks and opportunities • Received reporting on stakeholder relations and reviewed PSP Investments' global communication strategy • Supervised the annual Board evaluation process, which was administered in part by a third party
Human Resources and Compensation Committee	• Conducted a full review of succession planning for the President and CEO and senior officers and strengthened talent measurement tracking for high-potential employees • Reviewed detailed market benchmarking reports on compensation and talent priorities and strategies in the context of the war for talent and approved related compensation adjustments • Reviewed PSP Investments' hybrid workforce model • Continued to focus on equity, inclusion and diversity initiatives • Reviewed and monitored the evolution of PSP Investments' culture

Director appointment process

Directors are appointed by the Governor in Council on the recommendation of the President of the Treasury Board for terms of up to four years. When their term expires, they may be reappointed for an additional term or continue in office until a successor is appointed.

Candidates are selected from a list of qualified Canadian residents proposed by an external nominating committee established by the President of the Treasury Board. The nominating committee operates separately from the President of the Treasury Board and the Treasury Board of Canada Secretariat.

The appointment process is designed to ensure that the Board has a full contingent of high-calibre directors with proven financial ability and relevant work experience. The Governance Committee regularly reviews and updates desirable and actual competencies, experiences and diversity requirements. These requirements are communicated to the nominating committee and are taken into consideration when identifying a list of candidates. In addition, all directors are screened to ensure they have the following personal attributes: integrity, leadership/ability to influence, ability to think strategically, personal communication skills and business acumen.

The following charts show the diversity, geographic mix and average tenure of members of the Board of Directors for fiscal 2022:

Board succession planning and onboarding

Board succession planning continued to be a key focus area of the Governance Committee and the Board in fiscal 2022 as the terms of some directors expired or will be expiring in the coming year. In preparation for the arrival of new directors, PSP Investments' director onboarding program was reviewed and updated.

The Board is now functioning at full capacity with no vacant positions. We were pleased to welcome our three newest directors — Gregory Chrispin, Helen Mallovy Hicks and Maurice Tulloch — who were appointed by the Governor in Council on the recommendation of the President of Treasury Board from a list of qualified candidates submitted by the external nominating committee. As a result of these appointments, the terms of William A. Mackinnon and Garnet Garven officially ended on March 4, 2022. On the same date, the term of Ms. Miranda C. Hubbs was renewed for an additional four years.

Finally, as part of the Board succession plan, effective March 4, 2022, Katherine Lee was appointed Chair of the Audit Committee and, effective April 1, 2022, Maryse Bertrand was appointed Chair of the Human Resources and Compensation Committee, M. Marianne Harris was appointed Chair of the Governance Committee and Miranda C. Hubbs was appointed Chair of the Investment and Risk Committee.

Gender

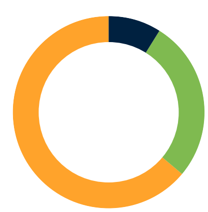
- 5 Male
- 6 Female

Visible Minority

- 3 Yes
- 8 No

Age

- 5 Under 60
- 5 60 to 65
- 1 Over 65



Geography

- 1 British Columbia
- 3 Québec
- 7 Ontario

Tenure

- 8 0-4 years
- 1 5-8 years
- 2 Over 8 years

Director education

The Governance Committee's director education program supports ongoing professional development. Through this program, directors are allocated an education and training budget to be used primarily for taking courses, attending conferences and procuring reading material to strengthen their understanding of investment management and other relevant areas. Directors report annually on their individual development plans.

On occasion, internal and outside speakers are invited to make presentations that contribute to the individual and collective expertise of Board members.

Board Members

PSP Investments' Board is currently composed of 11 independent, professional directors. The biographies of PSP Investments' directors can be found on page 89.

Remuneration

The Board's approach to director remuneration reflects the provisions of the Act, which require it to set its remuneration at a level comparable to the remuneration received by persons having similar responsibilities and engaged in similar activities. The Board reviews remuneration and considers changes based on recommendations prepared by the Governance Committee.

In fiscal 2022, directors were compensated as follows:

	$
Annual retainer for the Board Chair[1]	215,000
Annual retainer for each director other than the Board Chair	65,000
Annual retainer for each Board Committee Chair	18,000
Annual retainer for each Special Committee member	12,000
Attendance fee for each Board and Committee meeting[2]	1,500
Travel fees for attending a Board meeting in person, if his or her primary or secondary residence is outside Québec or Ontario	1,500

[1] With the exception of Special Committee, the Board Chair is not entitled to receive any additional retainer or fee for attendance at any meetings of the Board of Directors or any committee of the Board of Directors.

[2] A single meeting fee will be paid to a director who attends concurrent meetings of the Board and a committee.

Total fiscal 2022 remuneration for directors was $1,266,783. Directors are not entitled to additional remuneration in the form of retirement benefits or short-term or long-term incentives. The following tables provide details:

Meeting attendance

	Board of Directors		Investment and Risk Committee		Audit Committee		Governance Committee		Human Resources and Compensation Committee		Special Committee
	Regular	Special	Regular	Special	Regular	Special	Regular	Special	Regular	Special	Regular
Number of meetings fiscal year 2022[1]	8	2	4	4	5		4		5	2	6
Maryse Bertrand	8/8	2/2	4/4	4/4			4/4		5/5	2/2	6/6
Gregory Chrispin[2]		1/1		1/1						1/1	
David C. Court	7/8	2/2	3/4	4/4			3/4		4/5	2/2	6/6
Garnet Garven[3]	8/8	1/1	4/4	3/3	5/5						
Martin Glynn[4]	8/8	1/2	4/4	4/4							6/6
M. Marianne Harris	8/8	2/2	4/4	3/4	5/5						
Timothy E. Hodgson	8/8	2/2	4/4	3/4					5/5	2/2	
Miranda C. Hubbs	8/8	2/2	4/4	4/4			4/4		5/5	2/2	6/6
Susan Kudzman	8/8	2/2	4/4	4/4					4/5	2/2	
Katherine Lee	8/8	2/2	3/4	4/4	5/5		4/4				
Helen Mallovy Hicks[5]		1/1		1/1							
Maurice Tulloch[6]		1/1		1/1							
William A. MacKinnon[7]	8/8	1/1	4/4	2/3	5/5						

1 One Committee meeting was held concurrently with a Board of Directors meeting.

2 Mr. Chrispin was appointed to the Board of Directors on March 4, 2022.

3 Mr. Garven ceased to be a Director on March 4, 2022.

4 Mr. Glynn is an ex-officio member of the Audit Committee, Governance Committee and Human Resources and Compensation Committee.

5 Ms. Mallovy Hicks was appointed to the Board of Directors on March 4, 2022.

6 Mr. Tulloch was appointed to the Board of Directors on March 4, 2022.

7 Mr. MacKinnon ceased to be a Director on March 4, 2022.

PSP Investments' Board of Directors met 10 times.

Board committees met a total of 30 times.

Directors' compensation for fiscal 2022

	Annual Retainer $	Chair of a Committee/ Annual Retainer $	Special Committee[1]/ Annual Retainer $	Boards/ Committees Meeting Fees[2] $	Travel Fees $	Total $
Maryse Bertrand	65,000	18,000	7,288	51,000		141,288
Gregory Chrispin	5,056			3,000		8,056
David C. Court	65,000		4,859	45,000	1,500	116,359
Garnet Garven	60,125	16,600		31,500	1,500	109,725
Martin Glynn	215,000		4,859	9,000	3,000	231,859
M. Marianne Harris	65,000			31,500		96,500
Timothy E. Hodgson	65,000	18,000		34,500		117,500
Miranda C. Hubbs	65,000	18,000	4,859	51,000		138,859
Susan Kudzman	65,000			34,500		99,500
Katherine Lee[3]	65,000	1,400		37,500		103,900
Helen Mallovy Hicks	5,056			1,500		6,556
Maurice Tulloch	5,056			1,500		6,556
William A. MacKinnon	60,125			30,000		90,125

1 Ms. Bertrand was appointed Chair of the Special Committee established on November 5, 2021.

2 A single meeting fee is awarded for Board and Committee meetings held concurrently.

3 Ms. Lee became the Chair of the Audit Committee on March 4, 2022 in replacement of Mr. Garven.

Human Resources and Compensation Committee

Discussion & Analysis

Report of the HRCC

Why compensation matters

PSP Investments' success depends on the strength and performance of its people. That's why we ensure that our human resources policies and programs connect to what matters to them, drive behaviours that support the delivery of our mandate and are in the best interest of our stakeholders.

A high-performing team is one of the three pillars of our *PSP Forward* strategy, and our compensation framework is designed to attract and retain top talent, reward strong performance and reinforce strategic initiatives and priorities.

To enable the *PSP Forward* strategy, the Human Resources and Compensation Committee (HRCC) of the Board conducted a comprehensive review of pay levels and the pay mix across PSP Investments' talent markets.

Compensation principles

To successfully fulfill its mandate, PSP Investments strives to attract, develop, reward and retain top talent. With compensation as a cornerstone, the Talent Value Proposition is focused on being compelling to effectively and successfully compete for highly skilled professionals with the knowledge and capabilities that we can leverage for personal growth and development, as well as the overall success of PSP Investments.

The PSP Investments Compensation Plan focuses on the following guiding principles:

- Ensure global alignment to sustain PSP Investments' compensation philosophy, while remaining sensitive to local market practices
- Provide robust structure in defining job levels, base salaries and incentive targets, ensuring that external competitiveness and internal equity is effectively managed
- Reflect industry best practices and alignment with obligations to stakeholders

Moreover, to implement a pay-for-performance approach, the Board established a Compensation Policy that is designed to maintain total compensation at market competitiveness, and ensures that the Compensation Plan is aligned with PSP Investments' strategic plan and integrated with business performance measurement. PSP Investments' Compensation Policy provides balanced performance-based compensation and is effectively designed to reward prudent risk-taking.

The Board of Directors ensures that PSP Investments' executive compensation and incentives are consistent with PSP Investments' Compensation Policy. To verify alignment, the services of Hugessen Consulting, an independent compensation consulting firm, were retained for fiscal year 2022 to assist the HRCC in its review of the incentive plan design and aggregate FY22 compensation calculations. Hugessen reports solely to the HRCC.

Total compensation

=

Base salary + **Total incentive** + **Benefits** + **Pension**

Total compensation is primarily comprised of base salary, a total incentive, benefits and pension. The Total Incentive Plan, which includes annual and, at management levels, deferred compensation elements, is further described in the Compensation discussion and analysis section.

Compensation discussion and analysis

The compensation discussion and analysis summarizes the foundational principles of our compensation and incentive plans, reviews the elements of our compensation framework and provides details on performance results and remuneration paid to Named Executive Officers (NEOs), including:

- Neil Cunningham – President and Chief Executive Officer
- David J. Scudellari – Senior Vice President and Global Head of Credit and Private Equity Investments
- Patrick Samson – Senior Vice President and Global Head of Real Assets Investments
- Eduard van Gelderen – Senior Vice President and Chief Investment Officer
- Michelle Ostermann – Senior Vice President and Global Head of Capital Markets Investments

Compensation framework

In order to enable the *PSP Forward* strategy, PSP Investments needs to be able to attract, retain and engage top talent in today's increasingly competitive talent environment. To support this, PSP Investments undertook a comprehensive review of pay levels and mix across its global talent markets, leveraging market data from multiple surveys in Canada, the United States, the United Kingdom and Hong Kong.

Informed by the market data and aligned with PSP Investments' compensation philosophy, select adjustments were made to salaries and target incentive opportunities to align with changes in the market. This exercise was supported by the Board and management. The result of this update, in combination with the evolution of the value proposition, ensures that PSP Investments is well equipped to compete for the right talent now and in the future.

PSP Investments' compensation framework is designed to attract and retain top talent, reward performance and reinforce the strategic initiatives and priorities. Specifically, the framework is designed to:

Promote enterprise-wide collaboration

- All permanent employees participate in the Total Incentive Plan
- Total fund investment performance is a component of incentive compensation at all levels

Be competitive to attract and retain the right people

- Compensation and incentive structures are aligned with relevant markets for talent, based on level, business group and geographic location
- Target total direct compensation (i.e., base salaries and target incentives) is competitive, with the flexibility to pay above or below based on the principles of pay for performance

Enable individual differentiation

- Emphasize individual and group performance to ensure behaviours are aligned with PSP Investments' mandate and values
- Allow for discretion at every level

Mitigate short-term risk taking

- Total fund performance is measured over seven- and ten-year retrospective periods
- Performance deferred fund units (PDFU) for senior leaders extend the "at risk" period for incentives for three years after the grant date

Align pay with performance

- Establish alignment with the stakeholders' key measures of success, including the long-term rate of return objective
- Include both relative and absolute total fund performance as part of the incentive framework
- For senior management, ensure a significant portion of total compensation is deferred and "at risk", or subject to performance conditions

Adapt to changing circumstances

- Enable the President and CEO, HRCC and Board of Directors to ensure pay-for-performance outcomes are adapted to PSP Investments' changing environment and unique conditions

Pay level benchmarking process

Given the diversity in skills, capabilities and competencies PSP Investments requires to fulfill its mandate, executive and non-executive compensation levels, programs and practices are evaluated by comparing them with those of peer organizations operating in similar markets and vary by employee business group and geographic location. Peers include pension funds, investment management organizations, banks, insurance companies, as well as other relevant employers in the location being benchmarked. For target levels of investment performance, we align target total direct compensation to the competitive market rates of our peers. We have the option to pay above this level for exceptional performance or below it for less-than-expected performance.

Risk management

Our Total Incentive Plan reflects our responsibility to our sponsor and to PSP Investments' contributors and beneficiaries. The Total Incentive Plan is aligned with the long-term investment mandate and strategy and takes into consideration the target return and risk appetite.

Key risk mitigating features include:

Significant "at risk" pay

- A significant portion of pay for executives and other senior positions comes in the form of incentives.
- All deferred compensation is adjusted upward or downward based on the total fund return over the vesting period.

Long-term horizon

- Investment performance is measured over seven- and ten-year periods and aligned with PSP Investments' long-term total fund return objectives.
- Once granted, deferred fund units (DFU) continue to vest over a subsequent three-year period.
- Performance deferred fund units (PDFU) extend the "at risk" period for incentives for three years after the grant date.

Maximum payouts

- Each performance measure in the total incentive formula as well as the final total incentive multiplier is subject to an absolute maximum.

Robust benchmark investment return targets

- Benchmarks and value-added objectives, which are used to calculate performance within the total incentive plan, reflect an appropriate balance of risk and return and are aligned with the Board of Directors-approved investment strategy and risk limits.

HRCC discretion to govern pay

- The HRCC uses its discretion to adjudicate annual and longer-term performance compared to pre-defined targets and expectations, as necessary.
- It also has the ultimate discretion to adjust pay levels to ensure they are aligned with PSP Investments' performance and are reasonable from an overall cost perspective.

Total compensation

Annual base salary

Base salaries are reviewed annually and adjusted, as necessary, based on a variety of factors, including competitiveness with the market, importance of the role to the organization, scarcity of talent, experience and scope of responsibilities.

Total Incentive Plan

The Total Incentive Plan is aligned with PSP Investments' strategy and reflects our priorities. The Total Incentive Plan creates alignment of incentives and behaviours that drive our unique PSP Investments culture and fosters collaboration across the firm.

The Total Incentive Plan generates a total incentive grant that includes annual and, at management levels, deferred cash amounts.

The total incentive grant is based on performance, weighted 60% on the total fund investment performance and 40% on the business group objectives for all employees. Individual performance is used as a differentiator and individual performance scores are determined upon a review of annual individual objectives relative to predetermined goals.

PSP Investments' overall performance scores are determined at the end of each fiscal year. They are based on the achievement of each component, as well as discretionary adjustments for other relevant factors that are determined by the President and CEO, and the HRCC.

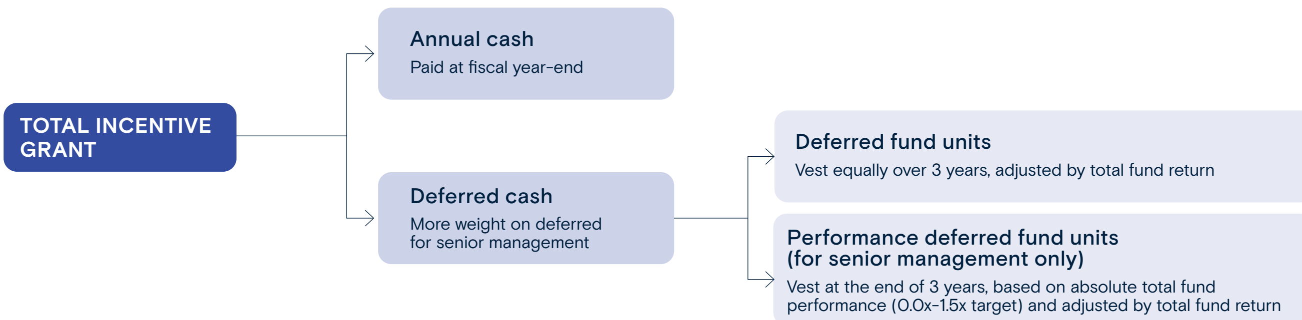
All employees participate in the same incentive plan and each employee has a target incentive opportunity based on their business group and position level. Employees can earn up to a maximum of two times their target incentive.

Once the total incentive grant for each employee has been determined, the value is split between annual cash payout for all position levels and a deferred amount for designated position levels.

The value of deferred cash fluctuates with the annual rate of return of the total fund and is paid out on a one-third per year basis over three years. For senior management, a portion of deferred cash is subject to additional performance conditions and paid out at the end of three fiscal years, based on the achievement of absolute total fund return.

Below is an illustration of the framework of the total incentive program:

Component	Total fund performance		Group factor score		Individual performance score		Total incentive grant 0.00× to 2.00×
Measure/ reference period	75% vs Reference Portfolio 10-year reference period 25% absolute 7-year reference period	+	Group scorecards	×	Individual performance objectives	=	
Weighting	60% for all		40% for all		n/a		
Multiplier	0.00× to 1.50×		0.00× to 1.50×				



The incentive amounts and the payment thereof are subject to restrictions and conditions as per the Total Incentive Plan provisions.

Restricted Fund Units

Restricted Fund Units (RFU) may be awarded, on a selective basis. They vest and are paid in three equal annual instalments, or the employee may elect to defer payment until the end of the three-year period.

The ultimate value paid to participants is adjusted to reflect the total fund return over the vesting period.

Other benefits

Group benefits

Based on their respective locations, employees have access to comprehensive benefits, including health and dental care, disability, critical illness, life insurance and accidental death and dismemberment coverage. They also have access to virtual health care services, an employee-assistance program and a variety of other programs and tools to help them reach their optimal level of well-being.

Retirement savings

Defined Benefit (DB) Pension Plan – Closed to new entrants as of January 1, 2014. Since January 1, 2017, Canada-based eligible employees contribute 7.25% of base salary. The benefit is calculated on the basis of 2% of the average of the employee's three best consecutive years of salary.

Defined Contribution (DC) Pension Plan – Canada-based eligible employees hired on or after January 1, 2014, are automatically enrolled in the DC Pension Plan, to which they may contribute between 5% and 7% of their base salary (which is fully matched by PSP Investments).

Canadian employees may contribute up to the maximum contribution allowable under the Canadian *Income Tax Act* (ITA).

Supplemental Employee Retirement Plan (the "SERPs") – The SERPs have been established for Canada-based eligible employees enrolled in either the DB Pension Plan or the DC Pension Plan, as unfunded arrangements, to provide benefits in excess of the DB Pension Plan or the DC Pension Plan, where such benefits are limited under the Canadian ITA.

Employees based outside of Canada are eligible to participate in defined contribution pension plans that were established based on local regulations and are aligned with market practices.

Perquisites

Based on their respective locations, executives may be provided with a perquisites allowance and may be eligible to an annual preventive health assessment.

Pay mix

Based on the compensation framework, the target pay mix for the President and CEO and Senior Vice Presidents in asset classes is weighted significantly toward variable compensation, as outlined in the table below.

The President and CEO's target incentive is 400% of base salary, split 40% into annual cash paid out in the current year ("short-term incentive") and 60% into deferred awards ("long-term incentive"). Within the deferred portion, 50% is allocated to deferred fund units and 50% to performance-based deferred fund units.

For Senior Vice Presidents in asset classes, the target incentive is 350% of base salary, split 50% into annual cash paid out in the current year ("short-term incentive") and 50% into deferred awards ("long-term incentive"). Within the deferred portion, 60% is allocated to deferred fund units and 40% to performance-based deferred units.

President & CEO

% of target total compensation

20	Base salary
32	Short-term incentive
48	Long-term incentive

Senior Vice Presidents in Asset Classes

% of target total compensation

22	Base salary
39	Short-term incentive
39	Long-term incentive

Fiscal 2022 results – Performance outcomes and compensation decisions (ending March 31, 2022)

Our compensation program includes two key investment performance elements:

1. The absolute total fund net performance measured against the return objective over a rolling seven-year period
2. The net relative performance of the total fund against the Reference Portfolio over a rolling 10-year period

Absolute total fund net performance

Since fiscal year 2016, PSP Investments has generated a net return on investment of 8.3% per annum, which is higher than the long-term return objective.

Relative total fund net performance

Long-term value creation is often a function of the ability to deliver investment returns above a defined benchmark. As at March 31, 2022, the annualized 10-year net relative investment performance for the total fund against the Reference Portfolio was 1.4%.

Compensation decisions made in fiscal 2022

On an annual basis, Board members and the President and CEO agree on the key financial and non-financial objectives that will be used to measure the President and CEO's individual performance. At the end of each fiscal year, Board members evaluate the President and CEO's performance relative to these objectives and assign an overall performance rating. When determining the President and CEO's total direct compensation, the Board considers both the President and CEO's individual performance and PSP Investments' organizational performance.

For fiscal year 2022, the President and CEO's personal objectives were aligned with PSP Investments' strategy, mission and values, including:

- Ensuring oversight of the *PSP Forward* strategic plan
- Promoting a cohesive and collaborative workforce
- Further developing PSP Investments' brand and visibility

In a manner similar to that used to calculate total direct compensation for the President and CEO, each senior officer also establishes annual individual performance goals. At fiscal year-end, his or her performance is evaluated in relation to goal achievement. The evaluation of individual goals and other performance measures informs recommendations regarding total direct compensation for senior officers that are presented to the Board for approval.

Executive compensation

PSP Investments strives to conform to leading practices for compensation disclosure of public pension funds.

The following tables summarize NEOs selected and ranked by grant value in fiscal 2022 whereby deferred cash grants may continue to vary with total fund return for up to three more years. The total compensation payout value received in fiscal year 2022, including the values payable from prior years' deferred grants, is also summarized and includes cash received from former plans, new plans and any transitional arrangements.

Comprehensive fiscal year 2022 total compensation

	Fiscal year	Base salary[1,2] (A)	Annual cash payout (B)	Deferred cash grant (C)	Sub-total compensation (grant value) (A+B+C)	Restricted fund unit / Special cash grants (D)	Pension and SERP Plans (E)	**Total compensation (grant value) (A+B+C+D+E)**	Other compensation[3] (F)	Deferred cash + LTIP + RFU payout (G)	**Total compensation (payout value) (A+B+F+G)**
Neil Cunningham[4] President and Chief Executive Officer	2022	552,115	1,474,598	2,211,896	4,238,609	0	302,000	**4,540,609**	49,275	2,907,630	**4,983,618**
	2021	501,923	1,212,084	1,818,126	3,532,133	0	170,800	**3,702,933**	44,485	1,931,446	**3,689,938**
	2020	503,846	1,205,200	1,807,800	3,516,846	0	123,000	**3,639,846**	45,409	1,395,161	**3,149,616**
David J. Scudellari[5] Senior Vice President and Global Head of Credit and Private Equity Investments	2022	451,731	1,432,123	1,432,123	3,315,977	0	17,400	**3,333,377**	41,005	2,068,722	**3,993,581**
	2021	451,731	1,156,149	1,156,148	2,764,028	300,000	16,062	**3,080,090**	34,676	1,828,091	**3,470,647**
	2020	453,462	1,249,855	1,249,855	2,953,172	0	18,769	**2,971,941**	30,895	491,483	**2,225,695**
Eduard van Gelderen[4] Senior Vice President and Chief Investment Officer	2022	401,538	893,046	893,045	2,187,629	500,000	28,000	**2,715,629**	36,596	1,097,398	**2,428,578**
	2021	401,538	734,063	734,063	1,869,664	0	26,233	**1,895,897**	32,005	473,422	**1,641,028**
	2020	403,077	743,173	743,173	1,889,423	300,000	20,000	**2,209,423**	34,689	251,118	**1,432,057**
Patrick Samson[4] Senior Vice President and Global Head of Real Assets Investments	2022	341,219	951,205	870,689	2,163,113	0	322,800	**2,485,913**	33,409	856,508	**2,182,341**
	2021	311,895	812,348	541,565	1,665,808	277,000	41,100	**1,983,908**	29,117	834,777	**1,988,137**
	2020	313,090	810,263	540,175	1,663,528	0	143,300	**1,806,828**	28,269	740,593	**1,892,215**
Michelle Ostermann[4,6] Senior Vice President and Global Head of Capital Markets Investments	2022	247,692	645,033	645,033	1,537,758	525,000	16,423	**2,079,181**	253,306	147,885	**1,293,916**
	2021	0	0	0	0	0	0	**0**	0	0	**0**
	2020	0	0	0	0	0	0	**0**	0	0	**0**

1 For fiscal years 2021 and 2022, represents base salary earned, which included 26.1 pay periods versus the standard 26 pay periods.

2 For fiscal year 2020, represents base salary earned, which included 26.2 pay periods versus the standard 26 pay periods.

3 "Other compensation" includes the perquisites allowance, the annual flexible dollar allocation, the annual health-and-lifestyle assessment and the employer-paid premiums for life, accidental death and dismemberment, disability, health (including the virtual health care offering and the employee assistance program) and dental care coverage, as well as other special cash or amounts in accordance with contractual arrangements, where applicable.

4 All amounts reported in CAD.

5 All amounts reported in USD.

6 Ms. Ostermann was hired on July 19, 2021. For fiscal year 2022, Ms. Ostermann received a special cash grant of 125,000 and a relocation allowance of 100,000 which are included as part of "Other compensation".

Deferred incentive cash grants cumulative value

The total cumulative value of all deferred incentive cash granted but not yet vested or paid to PSP Investments' NEOs (as at March 31, 2022) is shown in the following table.

	Award type	Total outstanding grants	Estimated future payouts[1]		
			FY2023	FY2024	FY2025
Neil Cunningham[2] President and Chief Executive Officer	DFU	2,013,289	972,970	671,670	368,649
	PDFU	2,918,911	903,900	909,063	1,105,948
	Total	**4,932,200**	**1,876,870**	**1,580,733**	**1,474,597**
David J. Scudellari[3] Senior Vice President and Global Head of Credit and Private Equity Investments	DFU	1,571,706	767,626	517,655	286,425
	PDFU	1,535,250	499,942	462,459	572,849
	RFU	100,000	100,000	0	0
	Total	**3,206,956**	**1,367,568**	**980,114**	**859,274**
Eduard van Gelderen[2] Senior Vice President and Chief Investment Officer	DFU	978,088	474,057	325,422	178,609
	PDFU	948,112	297,269	293,625	357,218
	RFU	333,334	166,667	166,667	0
	Total	**2,259,534**	**937,993**	**785,714**	**535,827**
Patrick Samson[2] Senior Vice President and Global Head of Real Assets Investments	DFU	952,393	452,624	317,580	182,189
	PDFU	594,556	135,044	135,391	324,121
	RFU	92,333	92,333	0	0
	Total	**1,639,282**	**680,001**	**452,971**	**506,310**
Michelle Ostermann[2] Senior Vice President and Global Head of Capital Markets Investments	DFU	387,021	129,007	129,007	129,007
	PDFU	258,013	0	0	258,013
	RFU	266,666	133,333	133,333	0
	Total	**911,700**	**262,340**	**262,340**	**387,020**

[1] Actual payouts will be adjusted upward or downward to reflect PSP Investments' total fund rate of return over the performance vesting periods (no total fund return has been included in the table above and no PDFU multiplier has been applied — i.e., assumes target performance).

[2] All amounts reported in CAD.

[3] All amounts reported in USD.

Retirement benefits

Defined contribution pension plan (Canada) and Safe Harbor 401(k) plan (United States)

	Plan type	Accumulated value at beginning of year	Compensatory increase[1]	Non-compensatory increase[2]	Accumulated value at year-end
All amounts reported are in USD					
David J. Scudellari	Safe Harbor 401(k)	295,278	17,400	55,020	367,698
All amounts reported are in CAD					
Eduard van Gelderen	Defined Contribution	131,460	28,000	33,145	192,605
Michelle Ostermann	Defined Contribution	0	16,423	15,715	32,138

1 Represents employer contributions. For Canadian-based NEOs, refers to contributions under both the DC Pension Plan and the DC Supplemental Employee Retirement Plan.

2 Represents employee contributions and regular investment earnings on employer and employee contributions. For Canadian-based NEOs, refers to contributions and investment earnings under both the DC Pension Plan and the DC Supplemental Employee Retirement Plan.

Defined benefit pension plan (Canada)

	Number of years of credited service[1]	Annual benefit		Accrued obligation at beginning of year[2,4]	Compensatory increase[5]	Non-compensatory increase[6]	Accrued obligation at year-end[2,7]
		At year-end[2]	At age 65[2,3]				
Neil Cunningham	14.4	149,700	168,700	3,009,300	302,000	(209,400)	3,101,900
Patrick Samson	15.6	99,400	190,800	2,029,400	322,800	(102,700)	2,249,500

1 Number of credited years of service used for both the DB Employee Pension Plan and the DB Supplemental Employee Retirement Plan as at March 31, 2022.

2 Sum of benefits accrued under the DB Employee Pension Plan and the DB Supplemental Employee Retirement Plan.

3 For the purpose of calculating the annual benefits payable at age 65, the final average earnings are calculated as at March 31, 2022.

4 Accrued obligation using a discount rate of 2.70%. The obligations are calculated as at March 31, 2021, using the assumptions and methods that were used for the accounting disclosures as at December 31, 2020.

5 Includes employer service cost at the beginning of the year, the impact arising from pensionable earnings experience and the impact of amendments to the pension plans, if any.

6 Includes employee contributions and benefit payments, if any, made in the year, changes in assumptions, non-pay-related experience and the interest cost for the year.

7 Accrued obligation using a discount rate of 3.10%. The obligations are calculated as at March 31, 2022, using the assumptions and methods that were used for the accounting disclosures as at December 31, 2021.

Post-employment policies

The table below shows the potential payments that would be made upon termination (without cause) to PSP Investments' highest-paid NEOs, excluding any amounts that would become payable as per applicable incentive plan provisions.

	Years of service[1]	Months of severance	Total severance[2, 3]
Neil Cunningham[4]	17.8	24.0	2,920,000
David J. Scudellari[5]	6.4	18.0	1,856,250
Eduard van Gelderen[4]	3.7	15.0	1,212,500
Patrick Samson[4]	15.5	18.0	1,473,750
Michelle Ostermann[4]	0.7	12.0	982,500

[1] Assumes a notional termination as at March 31, 2022.

[2] The President and Chief Executive Officer's severance pay is set at 24 months of base salary at the time of departure plus the annual cash portion of his target incentive and the equivalent of 24 months of perquisites.

[3] For Senior Vice Presidents, severance pay is set at 12 months of base salary at the time of departure plus the annual cash portion of the target incentive and the equivalent of 12 months of perquisites. One month of severance is added for each completed year of service, up to a total maximum of 18 months.

[4] All amounts reported in CAD.

[5] All amounts reported in USD.

Severance pay also includes continuous group insurance coverage of 24 months for the President and Chief Executive Officer and up to 18 months for Senior Vice Presidents.

In the event of a voluntary departure, no severance amounts are payable to the President and Chief Executive Officer or to the Senior Vice Presidents.

Directors' biographies

Martin Glynn

Chair of the Board
since May 11, 2018

Director since January 30, 2014

Committee membership
Investment and Risk Committee and ex officio member of the Audit, Governance, Human Resources and Compensation Committees

Location
Vancouver, British Columbia, Canada

Top executive experience
- Chief Executive Officer
- International

Top related competencies
- Corporate social responsibility / sustainability
- Finance
- Governance
- Human resources
- Risk management

Martin Glynn serves as a board member of St Andrews Applied Research Limited (StAAR Limited) and is a member of the advisory board of Balfour Pacific Capital Inc. He has previously served on the boards of directors of Sun Life Financial Inc. and Husky Energy Inc., among others. Until his retirement in 2006, Mr. Glynn held progressively senior positions with HSBC, including President and CEO of HSBC Bank Canada from 1999 to 2003, and President and CEO of HSBC Bank USA from 2003 to 2006. He remains active in professional and community circles. From 2009 to 2010, he was the Jarislowsky Fellow in Business Management at the Haskayne School of Business, University of Calgary. Mr. Glynn holds a BA Honours (Economics) from Carleton University and an MBA (Finance and International Business) from the University of British Columbia.

Maryse Bertrand

Corporate Director

Director since September 7, 2018

Committee membership
Human Resources and Compensation – Chair, Governance, Investment and Risk Committees

Location
Montréal, Québec, Canada

Top executive experience
- C-suite or equivalent position

Top related competencies
- Corporate social responsibility / sustainability
- Finance
- Governance
- Human resources
- Risk management

Maryse Bertrand serves as a board member of National Bank of Canada, Gildan Activewear Inc. and Metro Inc. She is the Vice-Chair of the Board of McGill University. She was Chair of the board of Directors of the Institute of Corporate Directors (ICD) (Québec Chapter) and director of the Caisse de dépôt et placement du Québec. From 2016 to 2017, she was Strategic Advisor and Counsel at Borden Ladner Gervais LLP, and prior to that she was Vice-President, Real Estate Services, Legal Services and General Counsel at CBC/Radio-Canada, where she also chaired the National Crisis Management Committee and the Board of Directors of ARTV, a specialty channel. Prior to 2009, she was a partner at Davies Ward Phillips and Vineberg LLP, where she specialized in mergers and acquisitions and corporate finance, and served on the firm's national management committee. She was named Advocatus emeritus (Ad. E.) in 2007 by the Québec Bar in recognition of her exceptional contributions to the legal profession. Ms. Bertrand has a law degree (with high distinction) from McGill University and a Master in Risk Management from New York University, Stern School of Business.

Gregory Chrispin

Corporate Director

Director since March 4, 2022

Committee membership
Human Resources and Compensation and Investment and Risk Committees

Location
Boucherville, Québec, Canada

Top executive experience
- Chief Executive Officer

Top related competencies
- Capital markets
- Infrastructure
- Corporate social responsibility / sustainability
- Risk management
- Pension governance / finance

Gregory Chrispin recently retired from the Desjardins Group, where he held the position of Executive Vice President, Wealth Management and Life and Health Insurance. In this capacity, he was responsible for the activities of Desjardins Securities, Desjardins Investments, Desjardins Global Asset Management, Desjardins Trust and Desjardins Financial Security. Prior to that, he was President and Managing Director of the Canadian subsidiary of State Street Global Advisors. Mr. Chrispin currently serves on the board of Addenda Capital, a privately-owned institutional investment management firm. He remains active in the investment industry and the community, serving on different committees with several organizations. He previously served on the board of the Canadian Life and Health Insurance Association and was Vice-Chair of Aviso Wealth, a leading investment management service provider. He is a member of the governance committee of the YMCAs of Québec's Alternative Suspension Social Impact Bond (SIB), Canada's first national community safety SIB. Mr. Chrispin holds a bachelor's degree in Mathematics (Actuarial Science) from Université de Montréal, and is a Chartered Financial Analyst and an Institute Certified Director of the Institute of Corporate Directors.

David C. Court

Corporate Director

Director since October 30, 2018

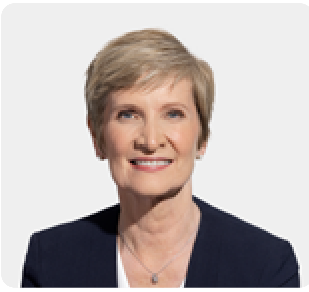
Committee membership
Audit, Governance and Investment and Risk Committees

Location
Toronto, Ontario, Canada

Top executive experience
- C-suite or equivalent position
- International

Top related competencies
- Private equity
- Human resources
- Information technology / cybersecurity
- Risk management

David C. Court is a Director Emeritus at McKinsey & Company. Mr. Court was previously McKinsey's Global Director of Technology, Digitization and Communications, led McKinsey's global practice in harnessing digital data and advanced analytics from 2011 to 2015, and was a member of the firm's Board of Directors and its global operating committee. Mr. Court is a director of Brookfield Business Partners, Canadian Tire Corporation, National Geographic's International Council of Advisors and the Board of Trustees at Queen's University. He also chairs the advisory board of Georgian Partners, a venture capital firm specializing in analytics and artificial intelligence. Mr. Court holds a BCom from Queen's University and an MBA from Harvard Business School where he was a Baker Scholar.



M. Marianne Harris

Corporate Director

Director since December 18, 2020

Committee membership
Governance – Chair, Audit and Investment and Risk Committees

Location
Toronto, Ontario, Canada

Top executive experience
- C-suite or equivalent position
- International

Top related competencies
- Capital markets
- Credit
- Finance
- Governance
- Human resources

M. Marianne Harris is a member of the Board of Directors of Sun Life Financial Inc., Loblaw Companies Limited and President's Choice Bank. She was previously a member of the Board of Directors of Hydro One Limited and Agrium Inc., and Chair of the Investment Industry Regulatory Organization of Canada (IIROC). In the non-profit sector, she is a Director of the Dean's Advisory Council for the Schulich School of Business and a Director of the Advisory Council for the Hennick Centre for Business and Law. She has over three decades of investment banking, leadership and management experience in Canada and the United States acquired primarily at Merrill Lynch and RBC Capital Markets. Ms. Harris has an MBA from the Schulich School of Business, a Juris Doctor from Osgoode Hall and a Bachelor of Science (Honours) from Queens University.

Timothy E. Hodgson

Corporate Director

Director since December 17, 2013

Committee membership
Investment and Risk and Human Resources and Compensation Committees

Location
Toronto, Ontario, Canada

Top executive experience
- Chief Executive Officer
- International

Top related competencies
- Capital markets
- Credit
- Infrastructure
- Private equity
- Risk management

Timothy E. Hodgson is Chair of the Board of Hydro One and is a member of the Board of Directors of Dialogue Health Technologies Inc. and the Property and Casualty Insurance Compensation Corporation. He is a former Managing Partner of Alignvest Management Corporation and was Special Advisor to Bank of Canada Governor Mark Carney from 2010 to 2012. Mr. Hodgson spent much of his early career with Goldman Sachs Group, Inc. and served as CEO at Goldman Sachs Canada, Inc. from 2005 to 2010. He previously served on the boards of Sagicor Financial Company Ltd, Sagicor Group Jamaica, MEG Energy Corporation, the Global Risk Institute, KGS-Alpha Capital Markets, Bridgepoint Health, Richard Ivey School of Business and NEXT Canada. Mr. Hodgson holds an MBA from Ivey Business School, and a BCom from the University of Manitoba. He obtained his CPA, CA designation in 1986 and has been named a Fellow of the Chartered Professional Accountants of Canada. He is also a member of the Institute of Corporate Directors.

Miranda C. Hubbs

Corporate Director

Director since August 15, 2017

Committee membership
Investment and Risk - Chair and Human Resources and Compensation Committees

Location
Toronto, Ontario, Canada

Top executive experience
- C-suite or equivalent position
- International

Top related competencies
- Capital markets
- Natural resources
- Corporate social responsibility / sustainability
- Finance
- Governance

Miranda C. Hubbs is currently a director of Nutrien Ltd. and Imperial Oil, and Vice-Chair of the Canadian Red Cross. She previously served on the boards of Agrium Inc. and Spectra Energy Corp. She serves on the Advisory Board of the Toronto Biennial of Art, the Institute of Corporate Directors Climate Strategy Advisory Board for the Canadian Chapter Zero of the WEF Climate Governance Initiative, and the Global Risk Institute Sustainable Finance Advisory Committee. Prior to her retirement in 2011, Ms. Hubbs was Executive Vice President and Managing Director of McLean Budden Limited, one of Canada's largest institutional asset managers. She also worked as an energy research analyst and investment banker with Gordon Capital Corporation, a large Canadian brokerage firm. Ms. Hubbs holds a BSc from Western University and an MBA from Schulich School of Business at York University. She is a CFA charter holder, a Sustainability Accounting Standards Board FSA Credential Holder, and holds the CERT Certificate in Cybersecurity Oversight issued by the CERT division of the Software Engineering Institute at Carnegie Mellon University.

Susan Kudzman

Corporate Director

Director since December 18, 2020

Committee membership
Governance, Human Resources and Compensation and Investment and Risk Committees

Location
Montréal, Québec, Canada

Top executive experience
- C-suite or equivalent position

Top related competencies
- Finance
- Governance
- Human resources
- Pension governance / finance
- Risk management

Susan Kudzman recently retired as Executive Vice President, Chief Risk Officer and Corporate Affairs at Laurentian Bank of Canada. She previously held the position of Executive Vice President and Chief Risk Officer at Caisse de dépôt et placement du Québec. Ms. Kudzman is Chair of the Board of Yellow Pages Limited, and serves on the boards of Medavie, Transat A.T. Inc and Nomad Royalty Company. She is involved in many community and philanthropic activities. Ms. Kudzman holds a Bachelor's degree in Actuarial Science and the titles of Fellow of the Canadian Institute of Actuaries (FCIA), Fellow of the Society of Actuaries (FSA) and Chartered Enterprise Risk Analyst (CERA).

Katherine Lee

Corporate Director

Director since June 25, 2018

Committee membership
Audit – Chair, Governance and Investment and Risk Committees

Location
Toronto, Ontario, Canada

Top executive experience
- Chief Executive Officer
- International

Top related competencies
- Credit
- Accounting
- Finance
- Governance
- Risk management

Katherine Lee is currently a Corporate Director of BCE Inc. and Colliers International Group. She was the President and CEO of GE Capital Canada. Prior to this role, Ms. Lee served as CEO of GE Capital Real Estate in Canada from 2002 to 2010, building it to a full debt and equity operating company. Ms. Lee joined GE in 1994, where she held a number of positions, including Director, Mergers & Acquisitions for GE Capital's pension fund advisory services based in San Francisco, and Managing Director of GE Capital Real Estate Korea based in Seoul and Tokyo. She is active in the community, championing women's networks and Asia-Pacific forums. Ms. Lee earned a BCom degree from the University of Toronto. She holds Chartered Professional Accountant (CPA) and Chartered Accountant (CA) designations.

Helen Mallovy Hicks

Corporate Director

Director since March 4, 2022

Committee membership
Audit and Investment and Risk Committees

Location
Toronto, Ontario, Canada

Top executive experience
- International

Top related competencies
- Private equity
- Accounting
- Finance
- Governance
- Risk management

Helen Mallovy Hicks is a member of the Board of Directors of Northland Power and Sun Life Financial. In the not-for-profit sector, she serves on the boards of directors of the Canadian Partnership Against Cancer and the Princess Margaret Cancer Foundation. She chairs the Finance, Audit and Risk committees for both of these boards. Ms. Mallovy Hicks is a former member of the Canadian Partnership Board of PricewaterhouseCoopers, the Board of Trustees of the Toronto Symphony Foundation and the Board of Directors of the Toronto Symphony Orchestra. She is a former partner of PwC Canada, with global transaction and advisory experience and executive roles up to PwC Global Valuation Business Line Leader (2016 to 2021). She holds a Bachelor of Commerce from the University of Toronto, and obtained her CPA, CA designation in 1985 and her Chartered Business Valuator designation in 1991. She was subsequently named a Fellow of the Chartered Professional Accountants of Canada and a Fellow of the Canadian Institute of Chartered Business Valuators.

Maurice Tulloch

Corporate Director

Director since March 4, 2022

Committee membership
Audit and Investment and Risk Committees

Location
Toronto, Ontario, Canada

Top executive experience
- Chief Executive Officer
- International

Top related competencies
- Capital Markets
- Accounting
- Corporate social responsibility / sustainability
- Risk management
- Pension governance / finance

Maurice Tulloch serves as a member of the Board of Directors of Porch Group. Until his retirement in 2020, he held progressively senior positions at Aviva, a leading multinational insurance company, including Group CEO. He joined the board of Aviva in 2017, while serving as CEO. Additionally, he held many senior executive leadership roles, including that of CEO, Aviva Canada, and Chairman, General Insurance. Mr. Tulloch has served on several external boards including as Chair of the Property and Casualty Insurance Compensation Corporation, and Chair of ClimateWise. He has an MBA from Heriot-Watt University, and has been a Chartered Professional Accountant and Certified Management Accountant since 1998.

Consolidated 10-year financial review

($ million)	**2022**	2021	2020	2019	2018	2017	2016	2015	2014	2013
CHANGE IN NET ASSETS[1]										
Net investment income (loss)	**23,060**	32,091	(500)	11,616	13,975	15,553	1,098	13,966	12,793	7,194
Operating expenses	**588**	510	551	503	450	370	295	243	216	184
Other comprehensive income (loss)	**—**	—	9	(3)	(14)	(4)	4	(15)	17	—
Comprehensive income (loss)	**22,472**	31,581	(1,042)	11,110	13,511	15,179	807	13,708	12,594	7,010
Fund transfers	**3,502**	3,036	2,871	3,749	3,921	3,622	3,987	4,554	4,997	4,635
Increase in net assets	**25,974**	34,617	1,829	14,859	17,432	18,801	4,794	18,262	17,591	11,645
NET ASSETS UNDER MANAGEMENT										
Equity										
Public Market Equities[2]	**59,142**	60,201	48,368	51,035	51,813	55,227	47,511	56,276	49,466	40,165
Private Equity	**35,375**	31,748	24,038	23,539	19,382	15,868	12,520	10,103	8,425	6,924
Government Fixed Income[3]	**46,446**	42,965	33,388	34,389	27,783	24,043	24,603	22,646	18,383	15,433
Credit	**21,892**	14,474	13,295	10,475	8,857	4,418	640	—	—	—
Real Assets										
Real Estate[4]	**31,089**	26,817	23,817	23,538	23,245	20,551	20,356	14,377	10,650	9,427
Infrastructure	**23,506**	18,389	18,302	16,818	14,972	11,149	8,701	7,080	6,011	3,854
Natural Resources	**11,615**	9,712	7,645	6,759	4,833	3,711	2,470	1,536	795	382
Complementary Portfolio	**1,427**	185	945	1,426	2,201	656	—	—	—	—
Net AUM	**230,492**	**204,491**	**169,798**	**167,979**	**153,086**	**135,623**	**116,801**	**112,018**	**93,730**	**76,185**
PERFORMANCE (%)										
Annual rate of return (net of expenses)	**10.9**	**18.4**	**(0.6)**	**7.1**	**9.8**	**12.8**	**0.7**	**14.2**	**15.9**	**10.3**
Benchmark	9.4	16.5	(1.6)	7.2	8.7	11.9	0.3	13.1	13.9	8.6

1 Figures for and after 2014 are presented in accordance with International Financial Reporting Standards (IFRS).
Figures prior to 2014 are presented in accordance with Canadian accounting standards applicable during the respective periods and have not been restated in accordance with IFRS.

2 Includes amounts related to absolute return strategies, funded through leverage.

3 Includes Cash & Cash Equivalents.

4 Since 2013, amounts related to real estate debt strategies have been reported under Real Estate.