PSP Investments' Climate-Related Financial Disclosures

Reporting in Accordance with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

PSP

Table of contents

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

Governance

Disclose the organization's governance around climate-related risks and opportunities

PSP Investments recognizes that climate change is a long-term systemic risk, as supported by scientific evidence from the Intergovernmental Panel on Climate Change (IPCC). We acknowledge the potential material impact of climate change on investment risks and returns across various sectors, geographies and asset classes. Given the broad implications of climate change across our investments, operations, risk management, audit and reporting, we have, over the years, increased the level of oversight by our Board of Directors and senior management on our efforts to better understand and manage climate-related risks and opportunities.

We assign accountability for our climate change approach across asset classes, corporate functions, senior management and the Board of Directors, in line with our mandate and long-term investment objectives. Our governance of sustainability-related topics, such as climate change, is discussed in more detail in the *Sustainable Investment Governance* section of our fiscal year 2023 Sustainable Investment Report.

a) Describe the board's oversight of climate-related risks and opportunities.

PSP Investments' Board of Directors (the Board) has been actively involved in supporting the inaugural Climate Strategy Roadmap since its inception. This strategy, established by senior management in fiscal year 2023, includes targets relevant to climate-related risks and opportunities, in line with our approach to measuring and managing such risks and opportunities. The Sustainability and Climate Innovation (SCI) group reports on sustainability-related matters to the Board's Governance Committee at least twice a year and sustainable investment topics are presented and discussed at each regular Board meeting. Key topics discussed included updates on our climate strategy roadmap, the hub-and-spoke model for integration of sustainability-related factors, proxy voting activities, and sustainability-related market trends.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Our SCI group operates within the Office of the Chief Investment Officer (CIO) and is responsible for developing and implementing our inaugural climate strategy in collaboration with our asset classes and corporate functions. The SCI group reports on sustainability-related matters, including climate change, to senior management committees at least twice a year. We monitor and disclose progress against our fiscal year 2026 climate strategy objectives to our senior management through select senior management committees including our Total Fund Management Committee. Corporate priorities for implementing our climate strategy have already been established for fiscal year 2024, as outlined in PSP Investments' fiscal year 2023 Annual Report.

As a long-term investor, we recognize the importance of integrating material climate change considerations into our investment process. This approach supports our goal of aiming for better returns and minimizing possible risks across our total fund, while supporting global net-zero 2050 and decarbonization efforts. Our Sustainable Investment Policy, developed by the SCI group, is approved by senior management and the Board of Directors, and guides our investment beliefs. Investment approval memorandums to the senior management's Risk and Investment Committee and the Board's Investment and Risk Committee include a climate strategy alignment section, which standardizes material quantitative climate-related metrics. This helps us make more consistent, evidence-based decisions.

Our incentive plan is aligned with the organization's strategy and priorities. The senior management team's scorecard/objectives include priorities and measures of success related to the firm's corporate objective to advance our climate capabilities.

Climate Innovation Summit (CIS)

In fiscal year 2023, we created a dedicated, multi-asset class Climate Investing Workgroup (CIW) to accelerate the implementation of our climate strategy. In its first year, the CIW successfully delivered on its knowledge sharing, coordination, and sector investing incubation mandate.

In light of the evolution of our climate strategy, the purpose of the CIW has evolved into a transversal forum to support PSP Investments' objective of advancing our firm-wide climate capabilities and strengthen our position in sustainable investing. It is now known as the Climate Innovation Summit (CIS). Going forward, the CIS will work to drive the continued evolution of PSP Investments' climate strategy and will aim to act as a vehicle to foster total fund alignment and direction, knowledge sharing, and thought leadership.

The new CIS is integrated into the SCI group as part of the Office of the CIO and includes representation from senior representatives of asset classes, the Office of the CIO, and other corporate functions. Members are scheduled to meet at least four times a year.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

We seek to use our capital and influence to support Paris-aligned decarbonization across our investment portfolio. We believe that the ways in which pension investors like PSP Investments could be affected by climate change are diverse and interconnected—encompassing economic, social and sustainability issues—many of which are increasing in complexity at a rapid pace. We also believe that climate change is one of the key factors that will drive the long-term performance and risk profile of our investment portfolio.

In fiscal year 2023, PSP Investments released its inaugural Climate Strategy Roadmap and bespoke Green Asset Taxonomy. The overarching objective of our climate strategy is to support the global transition to net-zero emissions by proactively managing material climate risks, unlocking investment and carbon reduction opportunities associated with climate-aligned assets, strengthening carbon disclosure, and enhancing collaboration with a wide range of stakeholders. Our long-term objective is to use our capital and influence to support the transition to global net-zero emissions by 2050.

In alignment with our Climate Strategy Roadmap and on account of the urgency and complexity of the topic, we are continuing the process of enhancing our internal processes and of embedding the management of material climate-related risks and opportunities across our investment processes and business strategy. This is described in more detail throughout this section.

c) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

On March 20, 2023, the IPCC released its Summary Report for its sixth assessment cycle. As a global investor seeking to use its capital and influence to support the transition to global net-zero emissions, we take note of prominent publications such as this one to inform our latest thinking regarding opportunities and risks presented by the global energy transition.

Several headline statements from the IPCC's sixth assessment report are notable and inform our climate change strategy and approach.

The IPCC's headline statements are the overarching conclusions of its analysis which, taken together, provide a concise narrative.

Key IPCC high-confidence conclusions informing our perspective on material climate change risks and opportunities are outlined by PSP Investments below:

- Human-caused climate change is already affecting many weather and climate extremes in every region across the globe. (A2)
- Policies and laws addressing mitigation have consistently expanded in the last number of years. Global GHG emissions in 2030 implied by government policy commitments make it likely that warming will exceed 1.5°C during the 21st century and make it harder to limit warming below 2°C. (A4)
- [...] Finance flows presently fall short of the levels needed to meet climate goals across all sectors and regions. (A4)
- Adaptation planning and implementation has progressed across all sectors and regions, with documented benefits and varying effectiveness. Despite progress, adaptation gaps exist, and will continue to grow at current rates of implementation. (A3)

Figure 1: Adapted from IPCC AR6 Synthesis Report, Headline Statements (2023)

Endeavoring to apply the IPCC's key climate science conclusions across our firm

Consistent with our investment beliefs, we assess the actual and potential impacts of climate change on the macro-economy and, as appropriate, on individual businesses in which we invest. Climate change could affect our investments directly and indirectly, and we believe both types of impacts should be robustly considered in the execution of our strategies. For example, we consider material climate change impacts:

- **Directly:** through extreme weather events impacting asset valuations, and/or through climate policies directly impacting the economy, such as economy-wide carbon pricing (these direct impacts are known as physical and transition risks)[1]
- **Indirectly:** through the 'pricing-in' of climate risks and opportunities, where financial markets anticipate future direct impacts in advance of their potential or actual occurrence.

With respect to the key timeframes required by the Task Force on Climate-related Financial Disclosures (TCFD) framework, we have identified several key physical and transition risks and opportunities that could materially impact the value of our investments including:[2]

Short-term (pre-2030): With the conclusion of the Paris climate accord in 2015, countries agreed in principle to limit warming to less than 2°C, with an additional target of striving to stay below 1.5°C, by the end of this century. However, in its latest scientific report, the IPCC concluded that the Earth's average surface temperature has increased by 1.1°C since pre-industrial times and that human activities are the dominant cause of this warming. In the short term, economic risks may materialize in the form of physical risks associated with temperature warming already locked-into the atmosphere, and opportunities may emerge in the form of evolving policy commitments to support low-carbon solutions and industries.

- **Risks:** As noted in the IPCC's latest Summary of Policymakers, extreme weather events are beginning to intensify and will present challenges to assets in the short term. The negative impacts of climate change are likely to materialize sooner than originally expected, and possibly with more severity, due to delayed global action to reduce greenhouse gas (GHG) emissions as agreed in the Paris Agreement.
- **Opportunities:** As policymakers and capital allocators across public and private sectors take accelerated action to reduce emissions, new investment opportunities may emerge, notably through the falling cost of deployment of low-carbon technology solutions, increased capital raised for deployment in private markets, and stronger regulatory incentives supporting low carbon solutions and adaptation and resilience measures.

[1] "Physical risks" are defined as risks that stem from climate change impacts and climate-related hazards. "Transition risks" are defined as risks linked to transitioning towards a low carbon economy.

[2] Physical and transition risks and opportunities discussed in this report are in addition to those disclosed in our fiscal year 2022 PSP Investments Climate-Related Financial Disclosures ("fiscal year 2022 TCFD Report") under the *Risk Management* section.

Medium-term (2030-2040):

- **Risks:** In the absence of significantly stronger policy action, climate change physical and transition risks are likely to intensify over this period. As a result, we believe that several, if not all, assets will face intensified economic costs associated with frequent and impactful extreme weather events, and that carbon intensive investments may face increasingly strict regulatory requirements, impacting their returns, hence the risk of lower valuations. From a transition risk perspective, more stringent policies are also likely, consistent with the incremental yet consistently strengthening policy approach observed in developed markets over the last decade.
- **Opportunities:** We believe that low-carbon products, technologies and services are likely to mature over this timeframe and that supply and demand for decarbonization solutions may increase, presenting new opportunities for business model transformations.

Long-term (2040-beyond):

- **Risks:** As per the findings of our engagement with Ortec Finance (as discussed in more detail below), in a failed transition scenario (using an average temperature increase by 2100 of 4.3°C), the PSP Investments policy portfolio is expected to generate lower returns relative to an orderly net-zero transition scenario, with the most material impact stemming from increased physical risks. In an orderly or disorderly net-zero transition, the portfolio will face moderate physical risks and moderate transition risks – underscoring the vital importance of assessing both factors in investment decisions where risks and opportunities may be material.
- **Opportunities:** In the longer term, we believe that there is likely significant potential for low-carbon solutions providers to innovate and deploy technology at scale to mitigate and respond to these impacts. These opportunities may translate into new growth opportunities for investee companies well aligned to the low carbon transition, and/or who provide products, technologies and services that support climate change adaptation.

d) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Following the release of our inaugural Climate Strategy Roadmap in fiscal year 2023, we continue to work on accelerating our efforts to better assess and address the material risks and opportunities posed by climate change on our investment strategy.[3] We aim to deploy a whole-of-firm approach to minimizing climate-related risks and maximizing our exposure to climate change opportunities and have introduced several tools in the last few years that support improved climate change risk management. For more information, please see sections entitled *Describe the organization's processes for identifying and assessing climate-related risks* (page 08) and *Describe the organization's processes for managing climate-related risks* (page 09). Taking into account the impacts of climate-related risks and opportunities, PSP Investments' has designated advancing firm-wide climate capabilities as one of our four corporate priorities for the year ahead, as discussed in further detail in PSP Investments' fiscal year 2023 Annual Report and our fiscal year 2022 TCFD Report.

More specifically, we conduct regular climate scenario analysis and stress-testing of our policy portfolio; factor material climate risks into investment decisions; consider investment opportunities that could contribute to the transition to a low-carbon economy; and, as required, encourage enhanced emissions disclosure on climate change risks by companies in which we invest.

Ortec Finance ClimateMAPS®

We continue to partner with Ortec Finance to consider three plausible climate pathways and their potential impacts to our portfolio. ClimateMAPS® generates forward-looking risk-return analytics to map an investment portfolio's exposure to climate risk and opportunities. The ClimateMAPS® platform enables investors like PSP Investments to investigate the financial impacts of different climate change narratives and pathways, and to report to internal and external stakeholders in line with TCFD recommendations. Importantly, Ortec has captured both direct and indirect impacts in the scenarios employed. For more details on the three climate pathways analyzed, the Ortec model and assumptions, please see the Strategy section of our fiscal year 2022 TCFD Report or consult the Ortec website.

[3] For more information on the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning, please see our fiscal year 2022 TCFD Report under the *Risk Management* section.

S&P Global Climanomics

We have undertaken work to onboard S&P Global Climanomics, a third-party technology solution, to enhance our understanding of our investment portfolio and to evaluate the impacts of climate change on our investments. The Climanomics platform quantifies climate-related financial risks in line with the recommendations of the TCFD framework.

The S&P Global Climanomics software platform quantifies climate change physical risk in financial terms. As detailed further in its public methodology documents, its methodology employs several key concepts to assess physical exposure, including hazard, vulnerability, and risk. These terms are defined as follows:

- **Hazards:** changes in environmental or economic conditions associated with climate change. These are expressed as specific metrics that change through time.
- **Vulnerabilities:** responses of an asset or entity to changes in the climate-related hazards. These are sensitive to the levels of the hazard metrics.
- **Risks:** financial measures of impacts induced by the hazards via the vulnerabilities. This is based on the combination of the degree of vulnerability (at a given hazard level) and the valuation of an asset.

By entering physical asset information into the platform, we can assess potential financial impacts associated with climate risk, out to 2100, visualizing areas of greatest impact with interactive graphics. Supported by a team that includes IPCC scientists, Climanomics provides analytics covering four climate risk scenarios across a wide range of risk indicators (coastal flood, fluvial flood, extreme heat, extreme cold, tropical cyclone, wildfire, water stress, and drought) with over 1000 proprietary econometric functions fusing terabytes of climate science data with asset location data for up to 80 years. As at March 31, 2023, we have uploaded approximately $44.75 billion of private markets assets under management (AUM) into the platform. Based on this analysis, we have observed the following:

- Relative risk associated with climate-related hazards increases at a relatively linear pace through the 2050s under all representative concentration pathways (RCP) scenarios
- Exposure to temperature extremes is projected to have the most significant impact on the portfolio of the seven climate hazards modelled
- There is likely limited exposure to tropical cyclone and wildfire risk under all RCP scenarios over the timescales analyzed

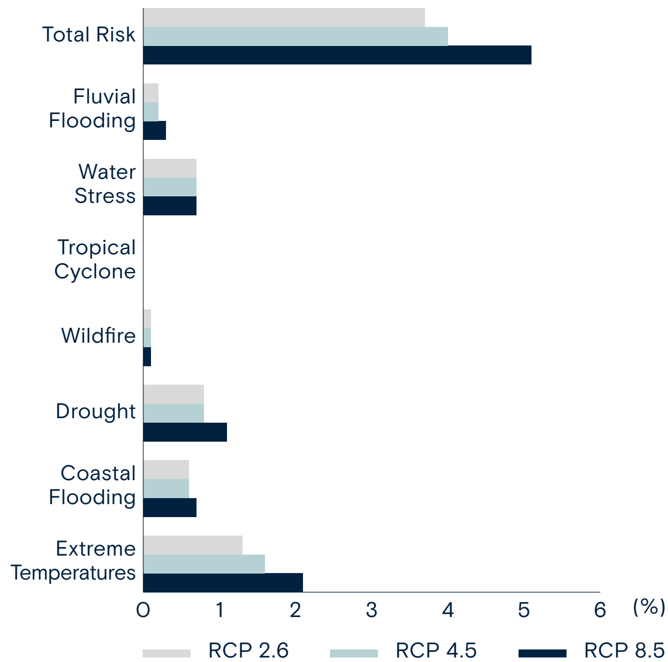

Figure 2: Outputs from platform representing approximately $44.75 billion AUM

In line with the TCFD recommendations, we are working to upload additional private markets assets to the platform to increase the proportion of AUM covered, and to provide greater visibility into the portfolio's exposure to climate physical risk.

e) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We assess the resiliency of our policy portfolio to various climate change scenarios through top-down climate change scenario analysis. Consistent with findings from our engagement with Ortec Finance in fiscal year 2022, our scenario analysis concluded that our active management approach, dynamic portfolio construction and climate aware investment choices lead to better positioning of the policy portfolio from a risk and return perspective compared to the reference portfolio provided by the Government of Canada under all climate scenarios considered.

Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks

a) Describe the organization's processes for identifying and assessing climate-related risks

Our approach to identifying and assessing climate-related risks encompasses both top-down and bottom-up perspectives.

Top-down climate change investment analysis

At the total fund level, we consider current GHG emissions and long-term commitments made by companies and countries under the Paris Agreement. In our fiscal year 2022 TCFD Report and the preceding section, we detail the scenario analysis work conducted in collaboration with external partners to evaluate portfolio resilience across various temperature outcomes.

In fiscal year 2023, the Office of the CIO initiated a dedicated workstream focused on integrating material climate considerations into portfolio construction activities. This involves updating the long-term capital market assumptions (LTCMAs) to explicitly account for material climate impacts in the baseline economic scenario. Additionally, the workstream will explore the feasibility of making changes to asset class characterizations. To facilitate this process, the SCI group, in collaboration with the portfolio construction team and asset classes, is developing a Total Fund Climate Projection Model. This dynamic tool, based on our bespoke Green Asset Taxonomy, will aid in determining the potential contributions of each asset class towards our total fund's climate objectives, closely aligning with our Climate Strategy Roadmap. The initial version of this model is expected to be produced in fiscal year 2024, with plans for continuous refinements and enhancements in subsequent fiscal years.

In addition to our portfolio construction efforts, we engage in collaborative initiatives related to stress testing analysis. In fiscal year 2023, we supported the Bank of Canada in their ongoing assessment of the systemic implications of climate transition risk to the Canadian financial system. Our contribution involved providing information related to the PSP Investments' portfolio to support the Bank's analytical efforts regarding the sensitivity of the Canadian financial system to climate change. Furthermore, we actively participated in consultative efforts to ensure the overall success of the project.

Bottom-up climate change investment analysis

At the investment level, the amount of due diligence that we perform is based on our assessment of the sensitivity of a given asset or company to climate risks. For internally managed investments, when appropriate, we consider whether material climate change physical or transition risk could have long-term material impact on the company's enterprise value,[4] based on the sector and geography in which it operates. Relevant material physical and transition risks, as well as opportunities, are then assessed during the due diligence process, including assessing for credible transition plans and emissions disclosure. In fiscal year 2023, the SCI group collaborated with the Enterprise Risk group to update key investment decision documentation for internal governance committee purposes, in line with the climate strategy. Investment documentation now includes a dedicated section that evaluates an individual opportunity's alignment with the Climate Strategy Roadmap. For more information on our framework for integration of sustainability-related factors for internally managed investments, please refer to the *Internally managed investments* section of our fiscal year 2023 Sustainable Investment Report.

More specifically with respect to material climate change risks and opportunities, we identify and assess transition risks of climate change by performing an initial sensitivity analysis using our bespoke Green Asset Taxonomy approach. This framework considers the two key dimensions of climate change risk and opportunities: investment-level carbon intensity (measured as GHG emissions per $ million revenues) and investment-level climate change transition planning. We also assess an individual investment's likely impact to PSP Investments' overall portfolio carbon footprint. Please see our Green Asset Taxonomy Whitepaper for further technical information.

[4] Here and throughout the document, enterprise value is defined as the sum of the market capitalization of ordinary shares at fiscal year-end, the market capitalization of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values.

For externally managed investments, we survey new general partners and external managers to understand how they consider climate change risks and opportunities when investing on our behalf. In fiscal year 2023, we updated our assessment framework for general partners and external managers to include climate change considerations, alongside other sustainability-related risk identification. For further information, please see the *Externally managed investments* section in our fiscal year 2023 Sustainable Investment Report.

Lastly, in efforts to understand and where possible align with industry best practices in assessing climate change risks and opportunities at the investment level, where appropriate, we leverage our relationships with external consultants and industry experts. We strive to continuously improve our understanding of the potential downside risks associated with climate change, as well as potential benefits and opportunities across key industries. Beyond risks, we also seek the latest market information on how the transition to a low-carbon economy is driving innovation and growth in many sectors, creating attractive opportunities for long-term investors like PSP Investments.

b) Describe the organization's processes for managing climate-related risks

Consistent with our long-term mandate, we aim to manage risks and opportunities related to climate change through: (i) the integration of material climate change considerations at each stage of our investment process and within our portfolio construction activities; (ii) seeking to pursue investment opportunities relating to the transition to a low-carbon economy and working to reduce carbon emissions across our portfolio, where relevant; (iii) engaging with our investee companies, as appropriate, to encourage their governance and management of climate change risks, including credible transition commitments, and to support enhanced disclosure against the TCFD framework, where appropriate; and (iv) scaling our collaborative efforts with leading organizations to improve our collective understanding of climate change and its potential impact going forward.

Using our capital and our influence

PSP Investments' overarching objective is to use our capital and our influence to support global net-zero by 2050. By executing on our climate strategy, we anticipate reducing our portfolio GHG emissions intensity by 20%-25% by fiscal year 2026 relative to a September 2021 baseline. Our climate investing objectives related to green, transition and carbon intensive assets as defined under our bespoke Green Asset Taxonomy are described in more detail in the *Metrics and Targets* section of this disclosure on page 10.

One of our roles as a long-term investor is to be an active steward of the assets we own. We believe that through ongoing dialogue, we can encourage sustainable corporate conduct and drive long-term value creation. In the past year, we have enhanced, where appropriate, our engagement activities with investee companies and partners on decarbonization planning and asset management practices aligned with science-based targets to assess whether business plans are resilient in the face of a changing climate.

In considering whether investments support the long-term goals of the Paris Agreement, we seek to evaluate whether our investments demonstrate alignment with sector-specific emissions reductions trajectories as outlined in the International Energy Agency's (IEA) Net-Zero Scenario, guidance from the Science-Based Targets Initiative (SBTi), the Investor Leadership Network (ILN) sector decarbonization pathways, or other credible modeling sources in alignment with a 1.5-degree climate scenario.

Our engagement activities aim to achieve greater alignment between financial returns and sustainable corporate behaviour, while communicating our expectations on specific issues such as climate change. We expect boards of directors and management of publicly traded companies to integrate climate-related risks and opportunities into their strategy and operations, and to provide disclosures that allow shareholders to make informed decisions. In private market investments, we may leverage our direct access to investee companies. We monitor assets and may engage directly with boards and management on climate-related risks and opportunities. Where we have board representation, we may directly influence a company's management of climate-related factors. We may also work closely with co-shareholders and partners to encourage the adoption of climate-related best practices including the adoption of science-based targets on a Paris-aligned pathway and proactive disclosures aligned with TCFD. We may undertake specific private engagement activities with high emitters to promote science-based transition plans. In fiscal year 2023, for example, we are pleased to note that several Infrastructure portfolio companies announced emission reduction strategies, including AirTrunk[5] and Forth Ports.[6]

[5] AirTrunk paves the way to net zero emissions by 2030

[6] Forth Ports commits operations to be carbon neutral by 2032 & Net Zero by 2042

Keeping abreast of market and regulatory trends

Through our hub-and-spoke model for integration of sustainability-related factors, we aim to equip our investment professionals with the required tools and information to measure and manage material climate-related risks. Climate-related training is regularly delivered to all asset classes, key corporate functions, and PSP Investments' employees more broadly to keep them informed and engaged on key climate change insights. For more information, please see the *Deploying a hub-and-spoke model* section in our fiscal year 2023 Sustainable Investment Report.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

To achieve our long-term mandate, we believe that we must take a calculated approach to managing risks which may include climate change. We seek to take a disciplined, integrated approach to risk management supported by a strong, shared risk culture, in which all employees are active participants in risk identification, evaluation, management, monitoring and reporting. PSP Investments' Risk Appetite Statement, which is reviewed and approved by the Board, and the supporting risk management and related policies, outline our appetite toward sustainability-related investment risks, including climate change, and detail how investment activities should comply with our risk philosophy and align with the tolerance and limits of our risk appetite. For further information on PSP Investments' Enterprise Risk Management, please refer to our 2023 Annual Report.

Furthermore, through our analysis of material climate change risks and opportunities, we seek to understand the consequences of climate change on our ability to reduce risk, and generate long-term positive returns, so as to achieve our mandate. We believe that striving for strong integration across the total fund helps us protect and enhance long-term financial value for our beneficiaries.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material

Portfolio carbon footprint metrics

We started measuring the carbon footprint and carbon intensity of part of our AUM in fiscal year 2017 and began publicly disclosing those numbers in our fiscal year 2020. We published our initial methodology and approach to encourage better understanding of our metrics by the public, and improve market transparency.

We apply an operational control consolidation approach to our organizational boundary. Therefore, carbon metrics associated with our investment portfolio represent an indirect source of emissions reported under the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard for Category 15 (Investments) activities guidance.

As we strive to use our capital and influence to support the global transition to net-zero emissions by 2050, our objective remains to advance market-leading carbon accounting and methodology practices and uphold a high degree of public transparency regarding the methodologies that underpin our climate-related financial disclosures. Since our first disclosures, we have continued to focus our efforts on making steady improvements to our carbon footprint measurement and data collection approach. This includes tracking new carbon accounting standards and approaches, for example the *Partnership For Carbon Accounting Financials* (PCAF), and leveraging their guidance to inform our approach.

As elaborated in more detail below, there are some areas in which our application of this methodology has diverged from the PCAF Standard. This divergence is in the interest of increasing the coverage of the carbon footprint metric and ensuring its suitability for an institutional investor like PSP Investments. For this reason, we refer to our methodology as PCAF-informed. The differences between the PCAF Standard and our methodology are articulated in the following sections.

In detail: PSP Investments' portfolio carbon footprint reporting methodologies

We have converged on two key climate-related financial metrics to describe the emissions impact of our investment activities on the atmosphere and therefore climate change. We believe the PCAF-informed financed emissions and carbon footprint metric is an insightful measure to understand portfolio-level financed emissions normalized by millions of dollars invested. On the other hand, the weighted average carbon intensity (WACI) metric is normalized by investee company revenues and does not use an investor's proportional share of total enterprise value. Given that these metrics are normalized by different financial factors, they do not always change similarly in direction or magnitude; however, they do provide complementary insights regarding an investor's contribution to climate change.

These portfolio climate-related financial metrics are described in more detail in the table below:

Metric	Financed emissions and Carbon Footprint – PCAF-informed (tonnes CO2e/$ million invested)[7]	Weighted average carbon intensity (tonnes CO2e/$ million revenue)
Carbon accounting formula	$\text{Financed emissions} = \sum_{i}^{n} \frac{\text{Holding NAV}_i}{\text{Fair market value of Equity}_i + \text{Debt}_i} \times \text{GHG emissions}_i$ $\text{PCAF informed} = \frac{\text{Financed emissions}}{\text{PSP portfolio NAV}}$	$\text{WACI} = \sum_{i}^{n} \frac{\text{Holding NAV}_i}{\text{PSP portfolio NAV}} \times \frac{\text{GHG emissions}_i}{\text{Revenues}_i}$

(With i = Investee company)

Scope

This section lists the asset classes and instrument types included in the climate-related financial metrics.

Our climate-related financial metrics calculation applies to 68% of our investment portfolio as of March 31, 2023.[8]

Financed emissions: PCAF-informed approach

This is the second year in which we are disclosing a carbon footprint metric informed by the PCAF Standard. This methodology allows for the inclusion of certain debt investments and provides alignment for market participants around an enterprise value reporting approach.

Public markets

- **In-scope:** Shares in long-only public equity strategies (active and passive), externally managed investments, exposure to underlying stocks through total return swaps, listed corporate fixed income, and securities held through exchange traded funds (ETFs).
- **Out-of-scope:** Shares in long-short public equity strategies, unlisted corporate bonds, government bonds, cash and money market instruments, and derivatives.[9]

Private markets

- **In-scope:** Direct and indirect investments in private equity, infrastructure, real estate, natural resources, credit investment and the complementary portfolio.
- **Out-of-scope:** Balances associated with working capital, cash or debt instruments, and funds of funds consistent with last year disclosure.

[7] Note that EVIC is used for listed equity, and total equity and debt is used for unlisted equity.

[8] Excluding leverage. Note that PSP Investments' fiscal year 2022 in-scope assessment is not comparable due to methodological changes in the assessment of AUM. On a like-for-like basis, fiscal year 2022 coverage would be 66% compared to 68% for fiscal year 2023.

[9] Excluding total return swaps

Financed emissions and Carbon Footprint– PCAF-informed (tonnes CO2e/$ million invested on an EVIC basis)		
	FY2023	**FY2022**
Financed emissions – PCAF-informed (ktCO2e)		
Public markets[10]	2,964	2,871
Private markets	6,140	7,575
AUM[11] **in-scope ($ million invested)**		
Public markets	49,900	53,953
Private markets	156,315	131,270
Climate-related financial metrics – PCAF-informed		
Financed emissions *(ktonnes CO2e)*	**9,104**	**10,446**
Carbon Footprint *(tonnes CO2e/$ million invested)*	**44**	**56**

According to this methodology, our absolute financed emissions have decreased by 13% relative to last year, while our in-scope AUM[11] for the calculation increased by 11%. As a result, for fiscal year 2023, our PCAF-informed metric has declined by 22%. We believe the decline is influenced by numerous factors, including:

1. A significant increase in the percentage of the calculations based on reported GHG data, instead of GHG proxies.
2. An improvement in collection methodologies for private markets financial data (e.g., asset-level equity and asset-level debt) resulting in more accurate attribution factors for PSP Investments.
3. A variation in year-over-year position size driven by market values and macroeconomic conditions, including the ongoing Russian war in Ukraine.

As mentioned above, we note that there are some areas in which our application of this methodology has diverged from PCAF Standard with respect to the asset classes included in the scope of the calculation. This divergence is in the interest of increasing the coverage of the metric and ensuring its suitability for an institutional investor like PSP Investments. These areas are as follows:

1. **Treatment of funds:** The Standard does not provide explicit guidance on methods to calculate financed emissions for unlisted (private) equity investment funds. Since we have material exposure through fund investments, we believe that excluding these investments would negatively impact the scope and validity of this calculation. We have therefore decided to include those investments with the goal of providing the most representative view of our total financed emissions.
2. **Availability of data:** Information for underlying investments in funds can be challenging to obtain. In situations where we could not retrieve underlying debt information on investments, we have used an equity-only approach. This has the effect of overestimating PSP Investments' attribution factor. More specifically, 64% of our PCAF-informed metric was calculated using a total enterprise value approach. The remaining was calculated based on an equity-only basis. This approach was taken in the interest of increasing coverage of the financed emissions metric. It should also be noted that we now use an equity only approach for real estate, as discussed below.
3. **Treatment of Commercial Real Estate (CRE):** PCAF's formula generally states to use property value at origination when calculating an attribution factor. However, PSP Investments has calculated attribution factors for the real estate portfolio using PSP Investments' percent ownership of the property on an equity basis. This is based on PCAF guidance stating that "[...] When CRE is jointly financed by a group of asset owners, the attribution is based on the share invested by each asset owner." We interpret the guidance as distinguishing between the treatment of attribution factors for investments in equity versus in loans.

[10] Listed fixed income instruments are included in fiscal year 2023 metrics only
[11] Excluding leverage

4. **Treatment of derivatives:** The Standard does not provide explicit guidance on methods to calculate financed emissions from derivatives. Furthermore, derivatives do not have intrinsic GHG emissions, as investors in derivatives may not necessarily own the underlying product. However, investing in derivatives exposes investors to the economic risk of the underlying product, and could expose them as well to climate related risks. At PSP Investments, our capital market portfolio has exposure to total return swaps for which we have GHG information at the underlying investment level. We have therefore included these investments in the interest of increasing coverage, transparency, and providing a more representative picture of our total fund exposure to GHG emissions.

Weighted average carbon intensity (WACI)

Our WACI metric is used to calculate the portfolio's exposure to carbon-intensive companies. The WACI metric is calculated using investee company Scope 1 and Scope 2 GHG data, normalized by company revenues in millions of dollars CAD. The GHG intensity of each investment is then summed based on its relative weight in our portfolio.

Public markets

- **In-scope:** Shares in long-only public equity strategies (active and passive), externally managed investments, exposure to the underlying stocks through total return swaps, listed fixed income, and securities held through exchange traded funds (ETFs).
- **Out-of-scope:** Shares in long-short public equity strategies, unlisted corporate bonds, government bonds, cash and money market instruments, and derivatives.[12]

Private markets

- **In-scope:** Direct and indirect investments in private equity, infrastructure, real estate, natural resources, credit investment and the complementary portfolio.
- **Out-of-scope:** Balances associated with working capital, cash or debt instruments, and funds of funds consistent with last year disclosure.

Weighted average carbon intensity (WACI) (tonnes CO2e/$ million revenue)			
	FY2023	**FY2022**	**FY2021**
Public markets	148	156	149
Private markets	145	170	99
Total results *(tonnes CO2e/$ million revenue)*	147	**166**	**116**

PSP Investments' weighted average carbon intensity has decreased by approximately 11% this year. We believe several factors have influenced this decrease, including those mentioned in our PCAF-informed carbon footprint metric. In addition, since the calculation of the WACI implies normalizing the company's emissions by their revenues aligned with reported GHG emissions over the same reporting period, the metric is greatly impacted by large macro-economic events, such as COVID-19.[13]

[12] Excluding total return swaps

[13] As of March 31, 2023, most investee company GHG information was from 2021. COVID-19 impacts were significant for the global economy during this period.

Methodology: In depth

Disclosure Standards

The methodology used by PSP Investments to calculate the portfolio carbon footprint and financed emissions is informed by PCAF Standard which is built on Greenhouse Gas Protocol's Technical Guidance for Calculating Scope 3 Emissions, Category 15 (Investments).

We acknowledge that requirements related to sustainability and climate-disclosures are rapidly evolving. PSP Investments seeks to monitor the evolution of leading disclosure initiatives and standards, including the evolution of PCAF and the recently finalized IFRS S1 and IFRS S2 of the ISSB. Our methodology will continue to evolve and we will strive to inform our approach with best practices.

Categories of emissions

We include investee companies' Scope 1 and Scope 2 emissions in our portfolio carbon footprint metrics. Scope 1 emissions are direct emissions from owned or controlled sources at our portfolio companies. Scope 2 emissions are those associated with purchased energy. With respect to Scope 2 emissions, investee companies generally do not report both location-based and market-based emissions. However, in cases where investee companies do disclose market-based information, we will endeavor to integrate these disclosures in our portfolio carbon footprint metrics. This year, such information has been integrated into carbon metrics generated for our real estate asset class only.

Investee companies' Scope 3 emissions cover other indirect sources such as the extraction and production of purchased materials and fuels, outsourced activities, business travel and waste disposal. At this stage, investee companies' Scope 3 emissions are excluded from the calculation because the comparability, coverage, transparency and reliability of Scope 3 data is generally insufficient in the marketplace. We intend to include more Scope 3 data as it becomes more widely available and reliable.

Data collection process

We use emissions data from third parties, either directly obtained from investee companies or from proprietary data sources. Investee company GHG data is generally not verified by a third party. This presents an important limitation with respect to our degree of confidence regarding the integrity of investee company disclosures, particularly given that investee companies sometimes use different methodologies to calculate and report their carbon emissions.

Precise reporting periods used to calculate the emissions may vary depending on the investment financial period end. To the extent possible, the emissions data used to calculate the climate-metrics were the most recent full year (12 months) datasets as at March 31, 2023.

Data quality assessment

In the context of GHG emissions measurement and portfolio carbon accounting, a data quality assessment involves evaluating the accuracy, completeness, consistency and reliability of data related to emissions sources and activities. Accurate and reliable data is crucial for investors like PSP Investments to undertake effective climate risk management, and to develop effective strategies to reduce portfolio and investee company emissions. The PCAF standard provides guidance on data quality scoring per asset class. We employ PCAF's data quality terminology in the following way:

	Definition
Score 1	Verified emissions reported by the company.
Score 2	Unverified emissions reported by the company or estimated based on the company's primary physical activity data for energy consumption and emission factors specific to that primary data. Relevant process emissions are added.
Score 3	Emissions estimated using physical activity data such as the company's production.
Score 4	Estimated using emission factors per unit of revenue for the sector. We use the median of GHG intensity on revenues for each Bloomberg classification system at sub-industry and/or activity level to generate the estimates.
Score 5	Estimated using emission factors per unit of asset for the sector. We use the median of GHG intensity on market capitalization for each Bloomberg classification system at sub-industry and/or activity level to generate the estimates.

We have disclosed an initial data quality assessment against the PCAF methodology for the first time this year. In fiscal year 2023, we undertook a significant data collection exercise across our private markets' investments, for both direct and indirect positions. This year-long data collection initiative was one of our top data-related sustainability priorities. As a result of this collective initiative, approximatively 54% of AUM[14] obtained a data quality score 2 or above compared to 42% last year.

Investment weighted data quality score	
FY2023	
Listed Fixed Income	2.1
Listed Equities	2.3
Infrastructure	2.5
Natural Resources	2.5
Real Estate	3.5
Credit Investments	3.9
Private Equity	3.9
Complementary Portfolio	4.9
Total Fund	**3.1**

Certain

Score 1

Score 2

Score 3

Score 4

Score 5

Uncertain

As discussed further in our fiscal year 2023 Sustainable Investment Report, we remain focused on collecting reported Scope 1 and Scope 2 data from investee companies, particularly in private markets. Through industry initiatives such as the ESG Data Convergence Initiative and other collaborative engagements with general partners, we anticipate continued progress toward our portfolio-wide objective to obtain reported GHG information for 80% of our in-scope portfolio by fiscal year 2026.

[14] Excluding leverage

Sector-based carbon footprint contribution

In this year's disclosure, we are pleased to provide additional details regarding the sectors impacting our financed emissions metric. Understanding the climate-related impacts of a portfolio's allocation of investments across industry sectors is an important step in any climate change strategy. It can provide valuable insights into the climate-related risks and opportunities inherent in a portfolio and help to identify areas where, from a materiality perspective, investors can best contribute to climate mitigation efforts. See below for additional details regarding the distribution of our carbon emissions across sectors for fiscal year 2023:

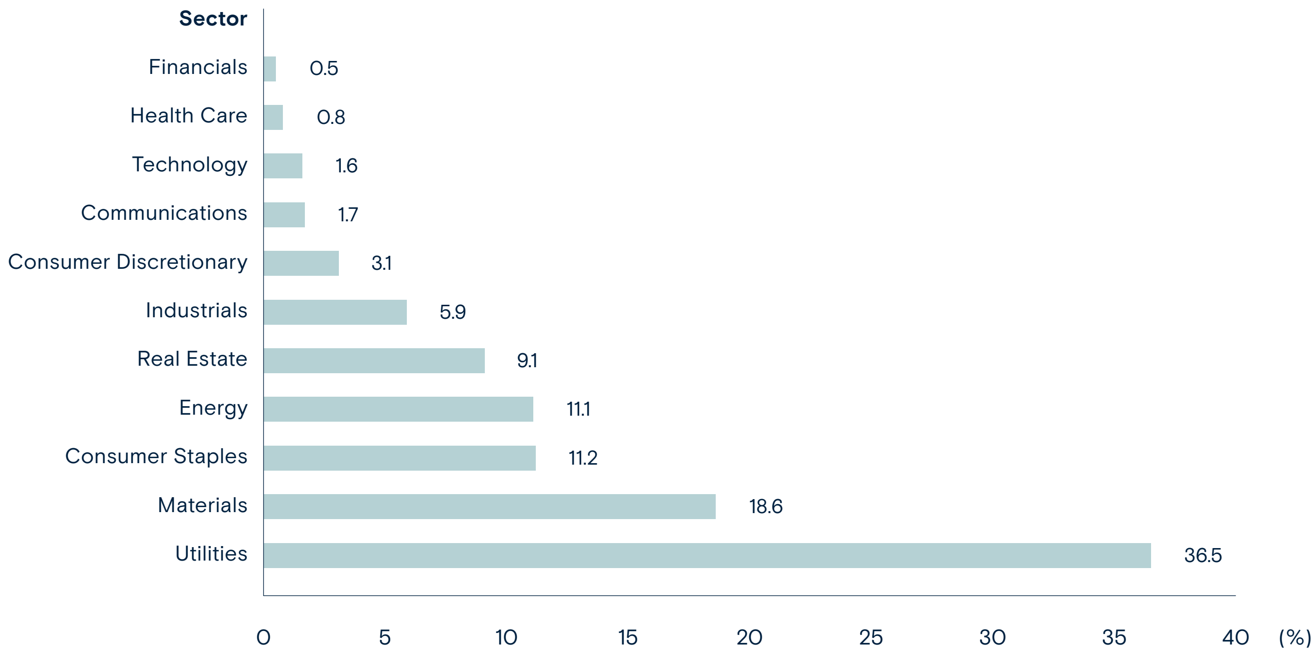

Figure 3: Distribution of carbon emissions across sectors of the PSP Investments in-scope portfolio for fiscal year 2023

By analyzing sectoral exposure, investors can identify sectors that may face higher regulatory, reputational or physical risks associated with climate change. Sectoral exposure is also relevant for identifying investment opportunities aligned with the transition to a low-carbon economy, such as renewable energy, clean technology, energy efficiency, and sustainable agriculture. By assessing the sectoral exposure of a portfolio, investors can identify areas where they can allocate capital to drive decarbonization outcomes in the real economy. In our case, we believe PSP Investments' long-standing strategy to invest in utilities presents strong opportunities to support decarbonization in the power sector and benefit from advantageous tailwinds as the economy moves toward electrification.

By comprehensively assessing sectoral exposure, investors can make informed decisions that account for the financial implications of climate change, contribute to climate mitigation, and position them for long-term value creation opportunities. This year's materiality assessment will guide the development of internal guidance on transition planning and related climate change escalation principles, with the aim that our active ownership approach is outcomes-based and tailored for material impact.

Green Asset Taxonomy: Metrics and Targets

To continue to evolve our climate measurement and management approach, we developed an in-house classification system to establish our portfolio baseline—and assess our exposure to green, transition and carbon-intensive assets. The results of this assessment have been published as part of the launch of the inaugural climate strategy and were the foundation of our first climate-related targets. Please see our Green Asset Taxonomy Whitepaper for technical information.

Using our Green Asset Taxonomy baseline as a starting point, we have announced short-term investment and engagement targets to be met by fiscal year 2026. These commitments aim to:

- Increase investments in green assets to $70.0 billion
- Increase investments in transition assets to $7.5 billion
- Reduce holdings of carbon intensive assets that lack transition plans by 50% (against a 2021 baseline)
- Ensure that assets representing 50% of our carbon footprint have commitments to implement mature transition plans
- Steer at least 10% of our long-term debt financing toward sustainable bonds
- Undertake efforts to obtain GHG data for 80% of the in-scope portfolio of our carbon footprint

We have provided an update on these metrics with fiscal year 2023 data in our fiscal year 2023 Sustainable Investment Report – *Green Asset Taxonomy update*.

As at March 31, 2023, our Green Asset Taxonomy applies to 71% of the portfolio.[15] We now have reported Scope 1 and Scope 2 GHG data for approximatively 54% of assets in-scope, up from 47% last year. Our target is to achieve 80% data coverage by fiscal year 2026. We remain committed to our data collection efforts to increase the proportion of our investment portfolio with reported data.

Methodological enhancements

Since our first assessment as of September 30, 2021, we have worked to improve our Green Asset Taxonomy approach and implementation methods. This includes continuously evolving our methodology and data collection approach. We are pleased to disclose improvements in the scope of application of the Green Asset Taxonomy, which has been expanded to include listed corporate bonds, and enhanced with new requirements for green assets in public and private markets. Specifically:

- **Publicly listed real estate companies (REITs):** These investments accounted for a significant portion of capital market's dark green assets. In the first year of application, REITs were considered eligible for dark green if they could demonstrate less than 80 tonnes of CO_2e per $ million revenues. This year, in an attempt to link to our Green Bond Framework, we have included a supplemental criterion to check REIT positions against MSCI's Green Buildings data set to confirm if most of their revenues stem from "green building" activities. Our enhancement makes accessing this Green Asset Taxonomy category more difficult for REITs, but better aligns with how we classify assets in PSP Investments' private markets real estate portfolio.
- **Development assets:** In Real Estate, we have identified several properties that are in the construction phase and are not yet reporting GHG data. Given that many of these positions are targeting green building certifications, we have allowed these development assets to be mapped as light green if their certification aligns with that of our Green Bond Framework. We anticipate GHG disclosure from these assets once they become operational.
- **Dark green assets:** In addition to aligning with our Green Bond Framework criteria, all dark green assets must have reported GHG data and will not obtain dark green status unless this is the case. Moreover, all dark green assets must achieve 80 tonnes of CO_2e per $ million revenues or less to maintain their classification.
- **Commercial real estate:** To utilize best available market information regarding transition pathways, we have required all dark green assets in real estate to demonstrate Green Bond Framework alignment through both certification and GHG performance against the Carbon Risk Real Estate Monitor (CRREM) 1.5°C sub-sector decarbonization pathways.

[15] Measured on AUM excluding leverage. Note that PSP Investments' fiscal year 2022 in-scope assessment is not comparable due to methodological changes in the assessment of AUM. On a like-for-like basis, fiscal year 2022 coverage would be 72% compared to 71% for fiscal year 2023.

Supplemental Disclosure: Biogenic Emissions

As an agriculture and timberland investor and asset owner, we recognize the significance of biogenic emissions arising from these activities. Biogenic emissions are GHG emissions that result from natural processes and biological sources, such as livestock digestion, manure management, and the decomposition of organic materials. This disclosure aims to provide an overview of our approach to measuring biogenic emissions within our Natural Resources (NR) portfolio.

We focus on partnering with best-in-class local operators to invest in agriculture and timber assets in investment-friendly jurisdictions around the world. We focus on direct, long-term investments with a heavy land, water or biological asset component. The unique features of these investments, coupled with our long-term investment horizon, enable us to adopt sustainability-related integration standards and prioritize asset-level engagement on climate topics.

In fiscal year 2023, as part of the farm-level data collection effort undertaken with a technical consultant, we obtained our first-ever portfolio-wide inventory of biogenic emissions across its Natural Resources asset class. According to guidance from the Greenhouse Gas Protocol, asset owners should separate biogenic carbon emissions and removals for the purpose of carbon accounting, instead of bringing biogenic emissions and removals into disclosed Scopes 1, 2 and, where relevant, Scope 3.

Key findings, including PSP Investments financed biogenic emissions, are detailed below:

Two statistics are disclosed in the table below: first, an estimate of portfolio companies' absolute biogenic emissions exposure, and second, a pro-rated estimate based on PSP Investments' attribution factor. As per PCAF Standard, the attribution factor is measured by our equity ownership share divided by the enterprise value of the investment. Given that our Natural Resources asset class deploys capital with a focus on wholly owned platforms, there is a high degree of alignment between these two values.

Biogenic emissions are an important part of the natural carbon cycle, and we are working to improve our ability to measure and manage the impact that our investment activities may have on this carbon cycle. Going forward, we aim to work towards determining the sequestration capabilities of our NR assets in different carbon pools (e.g., biomass carbon and soil organic carbon). This work will leverage academic studies, third-party expert knowledge, and on-the-ground experience of local management teams, to develop robust methodologies and determine appropriate data sources to consistently quantify and report biogenic carbon dioxide removals and storage.

FY2023	Absolute exposure biogenic CO2 emissions (tCO2e)	PSP Investments' financed emissions biogenic CO2 (tCO2e)
Natural Resources	346,603	245,193

Cautionary Statements Regarding Sustainability-Related Data, Metrics and Forward-Looking Statements

In preparing the sustainability-related information contained in this report, PSP Investments has made a number of key judgements, estimations and assumptions. The processes, methodologies and issues involved are complex. The sustainability data, models and methodologies used are often relatively new, are rapidly evolving and are not of the same standard as those available in the context of financial and other information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. It is not possible to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and we expect industry guidance, standards, market practice and regulations in this field to continue to evolve. There are also challenges faced in relation to the ability to access data on a timely basis and the lack of consistency and comparability between data that is available. This means the sustainability-related forward-looking statements, information and targets discussed in this report carry an additional degree of inherent risk and uncertainty.

In light of uncertainty as to the nature of future policy and market response to climate change and other sustainability-related issues, including between regions, and the effectiveness of any such response, and as market practice and data quality and availability develops, PSP Investments may have to update the models and/or methodologies it uses, or alter its approach to sustainability analysis and may be required to amend, update and recalculate its sustainability disclosures and assessments in the future, its sustainability ambitions, goals, commitments and/or targets or its evaluation of its progress towards its sustainability ambitions, goals, commitments and/or targets. Revision to sustainability data may mean it is not reconcilable or comparable year on year.

This report contains a number of graphics, infographics, text boxes and illustrative case studies and credentials which aim to give a high level overview of certain elements of this report and improve the accessibility of the report for readers. These graphics, infographics, text boxes and illustrative case studies and credentials are designed to be read within the context of the report as a whole.

The information in this report includes non-financial metrics, estimates or other information that are subject to significant uncertainties, which may include the methodology, collection and verification of data, various estimates and assumptions, and underlying data that is obtained from third parties.

PSP has appointed Deloitte to perform limited independent assurance over PSP Investments' Financed emissions and Carbon Footprint metrics. The Independent Limited Assurance Report issued by Deloitte is available within this document.

The report contains certain forward-looking statements with respect to PSP Investment's sustainability targets, commitments, ambitions, climate-related scenarios, processes, plans, and the methodologies we use, or intend to use, to assess our progress in relation to these ("sustainability-related forward-looking statements"). These sustainability-related forward-looking statements reflect management's assumptions, expectations, objectives, strategies and intentions as of the date of this report. These sustainability-related forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "estimate," "project," "expect,", "plan,", "goals", "targets" and similar terms and expressions.

By their nature, sustainability-related 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.

Sustainability-related forward-looking statements are inherently predictive, and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to the following:

- changes in the sustainability regulatory framework in which PSP Investments operates, including government approaches and regulatory treatment in relation to sustainability disclosures and reporting requirements;
- the impact of legal or other proceedings against PSP Investments or others in the industry;
- climate change projection risk including, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- amendments to or new sustainability reporting standards, models or methodologies;
- changes to and challenges with sustainability data availability, quality, accuracy, and verifiability which could result in revisions to reported data going forward; and
- climate scenarios and the models that analyze them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty.

Actual results and developments may differ materially from the expectations disclosed or implied as a result of factors including those outlined above. All subsequent written or oral sustainability-related forward-looking statements attributable to PSP Investments or any persons acting on its behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the sustainability-related forward-looking statements in this report will be realized. Subject to compliance with applicable law and regulations, PSP Investments does not intend to update these sustainability-related forward-looking statements and does not undertake any obligation to do so.

Independent Practitioner's Limited Assurance Report

To: The Board of Directors of Public Sector Pension Investment Board

We have been engaged by Public Sector Pension Investment Board's ("PSP Investments") to perform a limited assurance engagement over selected performance indicators ("SPIs") as shown in Table 1 and disclosed on page 12 in the *PSP Investments' Climate-Related Financial Disclosures Reporting in accordance with the Recommendations of the Task Force on Climate-Related Disclosures* (the "TCFD Report").

Table 1: SPIs in scope of this limited assurance report

SPI	Unit of measurement	Year ended March 31, 2023
Financed emissions	Tonnes of CO_2e	9,104
Portfolio carbon footprint	Tonnes of CO_2e/ $ million	44

Management's responsibility

PSP Investments' management is responsible for the determination of the SPIs outlined in Table 1 including the collection and presentation of the data that is used in determining the SPIs. This responsibility includes the design, implementation, and maintenance of internal control relevant to the determination of the Table 1 figures that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the SPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the Canadian Standard on Assurance Engagements ("CSAE") 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information* and CSAE 3410, *Assurance Engagements on Greenhouse Gas Statements.*

Our review criteria were based on PSP Investments' developed methodology, informed by the guidance produced by the Partnership for Carbon Accounting Financials ("PCAF") Global GHG Accounting and Reporting Standard for the Financial Industry, as described on pages 10-16 of PSP Investments' TCFD Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures included:

- Inquiry with relevant PSP Investments management and staff responsible for data collection, calculations and reporting of the SPIs;
- Obtaining an understanding of the underlying data that is used as an input into the calculation including emissions factors and conversion factors;
- Obtaining an understanding of the management systems, processes, and the relevant controls used to calculate and report the SPIs;
- Inspecting relevant documents and records on a sample basis; and
- Reperforming the SPI calculations.

Financed emissions data are subject to inherent limitations of accuracy given the nature and the methods used for determining such data. The selection of different acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

Our independence and quality control

We have complied with the relevant rules of professional conduct and code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, that are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The firm applies Canadian Standard on Quality Management 1 ("CSQM1"), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the SPIs as included in Table 1 above are not presented fairly for the year ended March 31, 2023, in all material respects, in accordance with the relevant criteria.

Restricted use

This report has been prepared to assist PSP Investments' management to report to the Board of Directors (the "Board"), the select performance metrics in accordance with the applicable criteria. As a result, this report may not be suitable for another purpose. Our report is intended solely for the use of PSP Investments. We neither assume nor accept any responsibility or liability to any third party in respect of this report.

We acknowledge the disclosure of our report, in full only, by PSP Investments at its discretion, in PSP Investments' Report, without assuming or accepting any responsibility or liability to the Board or any other third party in respect of this report.

Deloitte LLP[1]

Montréal, Canada
August 15, 2023

[1] CPA auditor, public accountancy permit No. A125494

Business offices

MONTRÉAL
(main business office)
1250 René-Lévesque Boulevard West,
Suite 1400
Montréal, Québec
Canada H3B 5E9
Phone: +1.514.937.2772

NEW YORK
450 Lexington Avenue, Suite 3750
New York, New York
USA 10017
Phone: +1.212.317.8879

LONDON
10 Bressenden Place, 8th floor
London, United Kingdom
SW1E 5DH
Phone: +44 20 37 39 51 00

HONG KONG
Suite 603-606, 6/F
One International Finance Centre
1 Harbour View Street
Central, Hong Kong
Phone: +852 91616063

Head office

OTTAWA
Spaces Laurier
135 Laurier Avenue West
Ottawa, Ontario
Canada K1P 5J2
Phone: +1.613.782.3095

info@investpsp.ca