

2022 Green Bond Impact Report

In February 2022, we issued our inaugural C\$ 1 billion, 10-year Green Bond.

This first Green Bond Report covers the period from January 1, 2022, to December 31, 2022, and provides investors with information regarding our Green Bond Register, our Green Bond issuance, the allocation of proceeds and the associated environmental impacts. Moving forward, PSP will publish annual Green Bond Reports to outline any changes to our Green Bond Register and to include any new issuances. We recommend this Green Bond Report be read in conjunction with [PSP's Green Bond Framework](#).

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Green Bond Framework

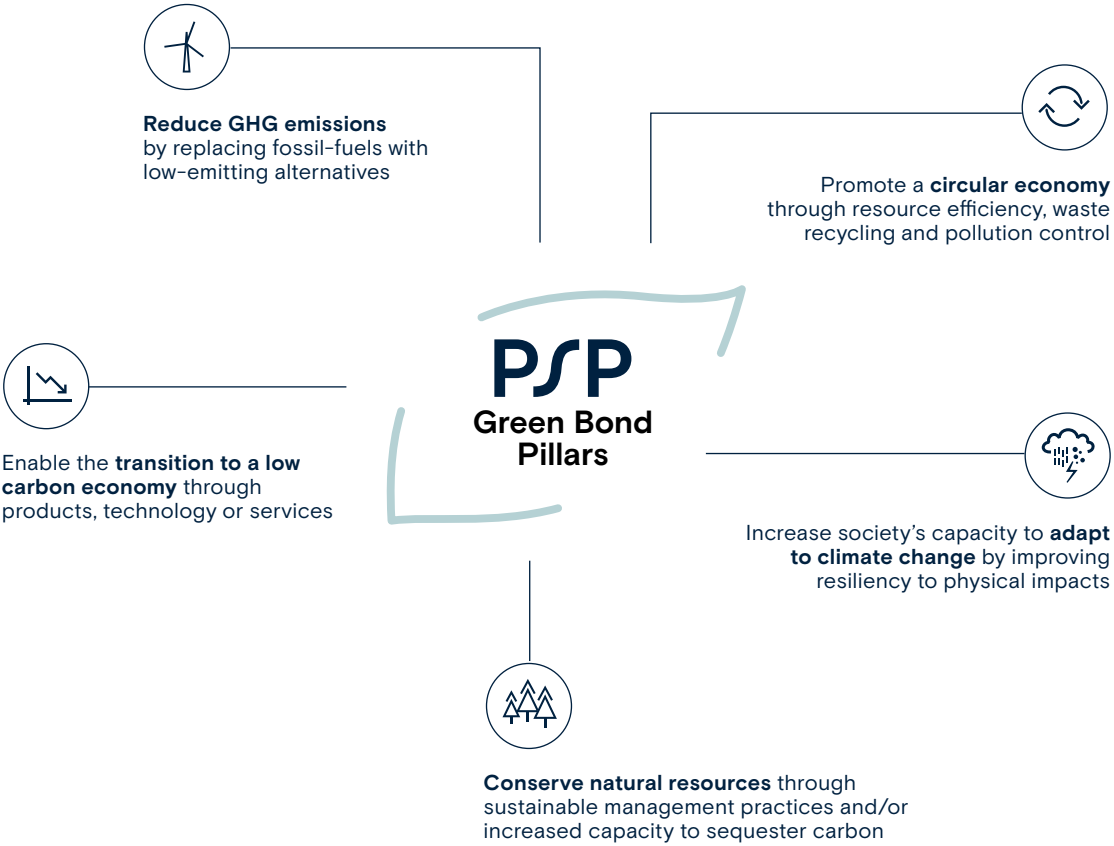
As outlined in our Green Bond Framework, through the issuance of Green Bonds, PSP Investments aims to fund investments aligned with our mandate* intending to achieve positive environmental and climate outcomes for the benefit of society. The net proceeds from Green Bond issuances are allocated to assets that support the transition to a low-carbon economy and demonstrate strong ESG performance.

Subsequent to the release of its [Green Bond Framework](#), PSP Investments published an inaugural [Climate Strategy Roadmap](#) and a [whitepaper on its Green Asset Taxonomy](#). The Green Bond program supports the implementation of this climate strategy through the identification of green bond eligible assets which are considered dark green in our Green Asset Taxonomy.

PSP has established five high-level pillars to guide the development of its Green Bond approach. These Green Bond Pillars describe the real-world outcomes that we seek to

achieve through our Green Bond program. They are inspired by existing industry standards and taxonomies, including the six environmental objectives of the EU Taxonomy.

All Eligible Green Assets, as defined on the next page, are intended to contribute to one or more of the pillars. As established in its Green Bond Framework, PSP Investments will also seek to ensure that all selected investments in the Green Bond Program do not impede any of the five PSP Green Bond Pillars.




* PSP Investments' statutory mandate is to manage amounts that are transferred to it in the best interests of the contributors and beneficiaries under the acts related to the Plans and to 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.

PSP's [Green Bond Framework](#) is aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP). The framework was independently reviewed by CICERO Shades of Green, that provided [a second opinion](#) on the quality of the framework and the governance around how assets are selected. The framework received a “CICERO Medium Green” shading as well as the highest governance score “Excellent”, which demonstrates the strong governance structure put in place by PSP Investments.

External Review

°CICERO



SHADING:
MEDIUM GREEN

GOVERNANCE SCORE:
EXCELLENT

- Second Opinion of the framework by CICERO Shades of Green
- Limited Assurance Report of the allocation of net proceeds by EY

Eligible use of proceeds

PSP intends to allocate an amount equivalent to the net proceeds from the sale of any Green Bond issuances toward a selection of private investments (the “Eligible Green Assets”) in line with the GBP’s eligible project categories.



Process for Project Evaluation and Selection

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

Management of Proceeds

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

Impact Reporting

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

Green Bond Issuance Details and Register

Issuance Details

In February 2022, PSP issued its inaugural Green Bond in Canadian dollars for a total amount of C\$1,000,000,000 as detailed below.

Issuer	PSP Capital Inc.
Rating	Aaa (Moody's) / AAA (S&P) / AAA (Fitch) / AAA (DBRS)
Size	C\$ 1,000,000,000
Format	Canadian private placement; Rule 144A/3(c)(7) and Regulation S
CUSIP/ISIN	Rule 144A: 69363TAR3 / CA69363TAR38 Regulation S: C75089AA7 / CAC75089AA76
Issuance Date	February 25, 2022
Maturity Date	March 1, 2032
Coupon	2.600% per annum

Green Bond Register

Through a Green Bond Register, the Treasury group tracks the allocation of net proceeds from the sale of any Green Bonds to eligible Green Assets. On an annual basis, the Green Bond Working Group reviews the Green Bond Register and seeks to ensure that the Eligible Green Assets continue to meet the eligibility criteria, as per the Green Bond Framework. Any assets that are sold are removed from the Green Bond Register. The total amount of PSP Green Bond proceeds was allocated to Eligible Green Assets based on disbursements within the three-year look-back period notwithstanding of the ownership of companies prior to that period.

Green Bonds	Amount
Green Bond 1	C\$ 1,000,000,000
Total Green Bonds	C\$ 1,000,000,000
Eligible Green Asset Categories	
Renewable energy [across the Americas, Europe and Australia]	
Environmentally sustainable management of living natural resources and land use [Canada]	
Green buildings [United Kingdom]	
Total Assets	C\$ 1,000,000,000
Unallocated Net Proceeds (Dec 31, 2022)	C\$ 0

Impact Reporting by Category

As set out in the 2022 [Green Bond Framework](#), PSP Investments seeks to ensure comprehensive and transparent impact reporting on an annual basis. Our Green Bond Impact Report includes qualitative and quantitative environmental performance indicators on Eligible Green Assets, reported at the category level. Impact metrics are selected in line with example reporting metrics included in the PSP Framework.

The portion of impact metrics attributable to green bond investors is determined by calculating the ratio of PSP Investments' ownership position over the enterprise value including cash of the underlying investments, as at March 31, 2022. This approach to calculating PSP Investments' pro-rated share was selected in alignment with the ICMA's [Handbook – Harmonized Framework for Impact Reporting](#).

Impact of Operational Renewable Energy Projects

This category includes assets that involve the construction, development, operation, acquisition, maintenance and distribution of select renewable energy generation sources.

PSP Green Bond Impact Metric	2021 ¹
Total installed capacity (MW)	2,976
<i>Pro-rata</i>	529
Annual clean power produced (MWh)	6,828,000
<i>Pro-rata</i>	1,213,662
Annual GHG emissions avoided (tCO ₂ e)	1,645,000
<i>Pro-rata</i>	292,395
GHG Emissions tCO ₂ e (Scope 1 and Scope 2)	20,172
<i>Pro-rata</i>	3,586

¹ As reported by the company in its publicly available disclosure.

Impact of Forest Management Projects

This category includes assets that contribute to sustainable management of natural resources and land use, including certified sustainable timber, aquaculture, and agriculture production.

PSP Green Bond Impact Metric	2021 ²
Total surface area (hectares)	575,000.00
<i>Pro-rata</i>	219,380.29
GHG emissions tCO ₂ e (Scope 1 and Scope 2)	5,962.00 ²
<i>Pro-rata</i>	2,274.69
GHG emissions absorbed or avoided (tCO ₂ e)	20 million tonnes over the life of the Initiative ²
Relevant certifications	Sustainable Forestry Initiative (SFI)
Relevant certifications	Canadian Council for Aboriginal Business (CCAB) Progressive Aboriginal Relations

² As reported by the company in its publicly available disclosure.

Impact of Green Building Projects

This category includes assets that have received, or expect to receive based on their design, construction and operation plans, select certification according to third party verified building standards.

PSP Green Bond Impact Metric	2021 ³
Building type	Corporate High-Rise Office
Building location	London, United Kingdom
Energy efficiency (MWh per sq ft)	0.003
Water efficiency (Litres consumed per sq ft)	56.83
GHG emissions tCO ₂ e (Scope 1 and Scope 2)	5,647
<i>Pro-rata</i>	<i>1,412</i>
Renewable energy purchased (MWh)	13,887
<i>Pro-rata</i>	<i>3,472</i>
Porportion of renewable energy (%) relative to total energy consumption	50%
CRREM ⁴ 1.5-degree decarbonization pathway multiple	0.687x
Relevant certification	BREEAM – New Construction Excellent

³ As reported in the company GRESB Submission.

⁴ [Carbon Risk Real Estate Monitor Global Pathways](#).

Case study

22 Bishopsgate



Green building

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

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

Discover [their official website](#) for information.

Appendix –

EY Limited Assurance Report

Independent practitioner’s assurance report

To the Management of PSP Investments

Scope

We have been engaged by Public Sector Pension Investment Board [“the Company”, “PSP Investments”] to perform a “limited assurance engagement”, as defined by Canadian Standards on Assurance Engagements, hereafter referred to as the engagement, to report on PSP Investment’s allocation of net proceeds from the C\$1,000,000,000 2.600% Senior Notes, issued by PSP Capital Inc. a wholly-owned subsidiary of PSP Investments on February 17, 2022 and maturing March 1, 2032 [the “Subject Matter”] as reported in the 2022 Green Bond Impact Report [the “Report”].

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by PSP Investments

In preparing the Subject Matter, PSP Investments allocated the net proceeds in accordance with the Eligible Green Assets described in the PSP Investments Green Bond Framework issued in February 2022 [the “Criteria”]. The Criteria was specifically designed to assist PSP Investments in disclosing the allocation of net proceeds related to the Subject Matter. As a result, the Subject Matter may not be suitable for another purpose.

PSP Investment’s responsibilities

PSP Investment’s management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY’s responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *Canadian Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* [“CSAE 3000”]. This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

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

EY applies Canadian Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance 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.

Description of procedures performed

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 were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducting interviews with relevant personnel to obtain an understanding of the reporting process and internal controls;
- Inquiries of relevant personnel who are responsible for the Subject Matter, including, where relevant, inspecting documentation relating to the allocation of net proceeds in accordance with the Criteria;
- Reviewing presentation and disclosure of the Subject Matter in the Report.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter as at December 31, 2022, is not prepared, in all material respects, in accordance with the Criteria.

*Ernst & Young LLP*¹

Montreal Canada
January 31, 2023

¹ CPA auditor, public accountancy permit no. A129122

Allocation of proceeds

December 31, 2022

Eligible Green Asset Categories	Green Bond Proceeds Allocated \$
Renewable Energy	
Environmentally sustainable management of living natural resources and land use	
Green buildings	
Total	1,000,000,000

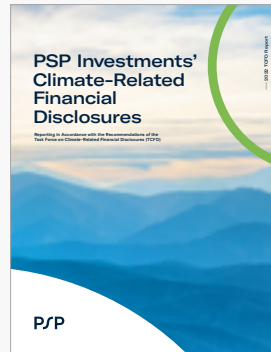
Appendix – Key links



2022 Annual Report



2022 Responsible Investment Report



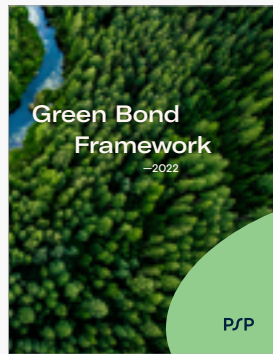
2022 PSP Investments' Climate-Related Financial Disclosures



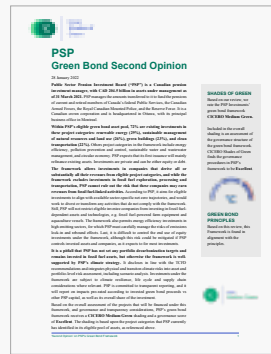
PSP Corporate View on Climate Change



PSP Green Asset Taxonomy



PSP Green Bond Framework



PSP Green Bond Second Opinion – CICERO Shades of Green

PSP

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