

**Public Sector Pension Investment Board
("PSP Investments")**

**Statement of Investment Policies, Standards
and Procedures for assets managed by
PSP Investments**

As approved by the Board of Directors on November 15, 2024

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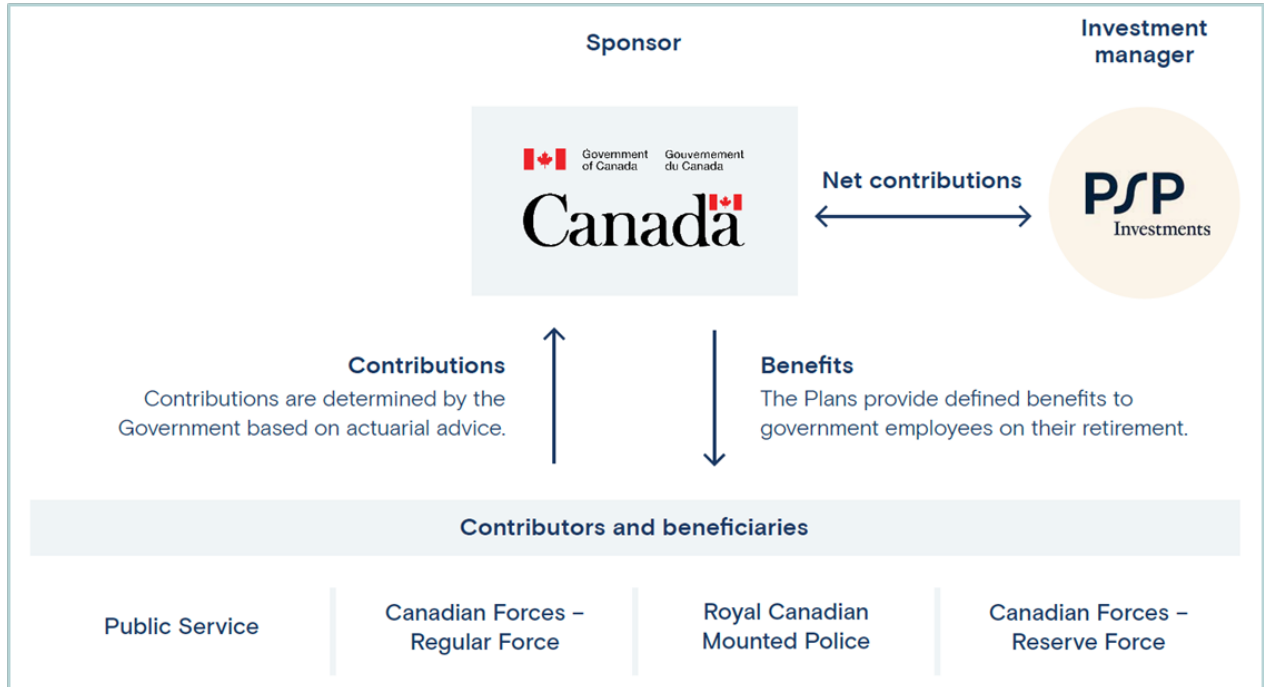
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Section I – Introduction

- 1.1 Section XIV of this Statement contains the list of all defined terms present throughout the document, along with their definitions.
- 1.2 This document constitutes the Statement for the assets managed by the Public Sector Pension Investment Board (“PSP Investments”). The Act and Regulations require PSP Investments to establish for each Plan Account a statement of investment policies, standards and procedures that a person of ordinary prudence would exercise in dealing with the property of others, and this Statement has been prepared by PSP Investments for that purpose. The same Statement applies to each of the Plan Accounts. The Statement does not apply in respect of Canada Growth Fund Investment Management Inc. incorporated for the purpose of providing investment management services to the Canada Growth Fund Inc.
- 1.3 In accordance with the Act, the Statement is approved by the Board of Directors of PSP Investments, and must be complied with by PSP Investments, its employees, its subsidiaries, and Managers.
- 1.4 PSP Investments monitors its activities to ensure compliance with this Statement. Any breaches of this Statement must be promptly reported to the relevant Management Committee and to the Governance Committee of the Board of Directors, along with an appropriate plan for resolution of the breach.
- 1.5 The Investment and Risk Committee requires Management to implement and maintain appropriate procedures to:
 - i. Monitor the application of the Statement; and
 - ii. Ensure that PSP Investments’ agents and mandataries comply with the Act and the StatementThe Committee shall review, evaluate, and approve Management’s procedures referred to above.

Section II - Governance and Administration

2.1 The below illustrates the funding of the public sector pension plans:



2.2 The below illustrates PSP Investments' organizational structure:



2.3 Where applicable, PSP Investments shall appoint one or more custodians, which are approved by the Board of Directors to hold assets in the name of PSP Investments.

2.4 PSP Investments and Managers will operate within the discretion limits, diversification guidelines and other constraints of their respective mandate.

Section III - Plans Overview

- 3.1. The Plans are all contributory defined benefit plans. The Government of Canada is liable for all pension obligations under them. The Plans have similar natures, provisions and risk tolerance. Therefore, the same Statement applies to each of the Plan Accounts. The Funds for which amounts are currently transferred to PSP Investments were established for the Post-2000 Obligations.
- 3.2. PSP Investments receives monies from the Government of Canada for the Plan Accounts, which are the net amounts available for investment with respect to each Fund, being the Member and employer contributions less:
- i. Amounts used to pay applicable benefits under the Funds; and
 - ii. Administration costs relating to such Plan.
- 3.3. Factors which may affect the funding of the Plans in respect of the Post-2000 Obligations and the Plans' ability to meet such obligations include:
- i. Rate of inflation;
 - ii. Rate of increase of Members' pensionable earnings;
 - iii. Rate of return on assets invested by PSP Investments;
 - iv. Investment risk (market risk, geopolitical risk, climate risk, credit and counterparty risk, concentration risk, liquidity and financing risk and leverage risk);
 - v. Demographic factors such as mortality rates, rates of employee terminations and age for retirements;
 - vi. Actuarial funding cost method and value of assets used by the Chief Actuary; and
 - vii. Level of funding requirements for Member and employer contributions.
- 3.4. In accordance with the Act, the Government of Canada may at any time call upon the net assets of PSP Investments allocated to each Fund's Plan Account for amounts required for the payment of Post-2000 Obligations of the relevant Plan or for the reduction of any non-permitted surplus in the Fund of such Plan.

Section IV - Categories of Investments

- 4.1 The below presents a non-exhaustive list of the investment categories in which PSP Investments may invest either directly or indirectly in implementing the Policy Portfolio and Active Management strategies:

Categories	Non-exhaustive sub-categories
Equity	<ul style="list-style-type: none"> ▪ Public equity from developed and emerging markets ▪ Private equity from developed and emerging markets
Credit and Fixed Income	<ul style="list-style-type: none"> ▪ Investment grade and non-investment grade public debt ▪ Investment grade and non-investment grade private debt
Real Assets	<ul style="list-style-type: none"> ▪ Real Estate ▪ Infrastructure ▪ Natural Resources

Categories	Non-exhaustive sub-categories
Diversifying Strategies	<ul style="list-style-type: none"> ▪ Growth asset strategies providing an alternative to equity risk premium
Derivatives	<ul style="list-style-type: none"> ▪ Options ▪ Futures ▪ Forward contracts ▪ Swaps
Cash and Cash Equivalents	<ul style="list-style-type: none"> ▪ Short-term instruments

Section V - Return and Risk Considerations

5.1 PSP Investments' statutory mandate, as set out in section 4 of the Act, is to manage the amounts transferred to it in the best interests of contributors and beneficiaries under the Superannuation Acts and CFSA Regulations and to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to:

- i. The funding, policies, and requirements of the Plans; and
- ii. The ability of the Plans to meet their financial obligations.

The Government has adopted a funding policy, reviewed annually, that articulates its risk tolerance, expressed in terms of pension funding risks (e.g. risk of being underfunded, risk of increased costs to the Government, etc.). This results in the development and communication of a Reference Portfolio to convey the Government's risk tolerance. It is provided to PSP Investments by the Treasury Board of Canada Secretariat each year on behalf of the President of the Treasury Board. Accordingly, the Board of Directors has established a strategic asset mix, the Policy Portfolio, reviewed annually, which is built to deliver a long-term expected rate of return that is higher than the Reference Portfolio's, without increasing pension funding risk above the Government's risk tolerance. This ensures alignment with the Government's funding objectives for the Post-2000 Obligations.

5.2 Taking on investment risk is required to achieve this rate of return, which may result in returns significantly above or below this objective, particularly over short time horizons. This investment risk and its impact on the funding of the Plans for the Post-2000 Obligations are addressed in the Risk Appetite Statement.

5.3 For the Plan Accounts, investment risk is managed in accordance with the investment restrictions prescribed by the Act and Regulations, as well as in accordance with PSP Investments' investment risk policies and related procedures. Such policies and procedures notably cover investment risk matters for all investments in the Plan Accounts, are administered by PSP Investments' Risk Management department and provide that PSP Investments will use quantitative and qualitative risk measures to assess investment risk.

- 5.4 In addition to the returns expected from the Policy Portfolio, PSP Investments employs active management strategies designed to increase returns (net of all costs) and to assist in outperforming the Reference Portfolio, within active risk limits.

Section VI - Allocation of Assets under Policy Portfolio (Strategic Asset Mix)

- 6.1 In determining the Policy Portfolio as set out in section 6.2 that would best meet the objectives identified in this Statement, consideration was given to:
- i. the nature of the Plans outlined in “Plans Overview” (per Section III above);
 - ii. the long-term nature of the liabilities;
 - iii. the going-concern position of the Plans and the degree of inflation-sensitivity of its liabilities for inactive and active Members;
 - iv. the long-term return expectations and the risks associated with various investment strategies, as well as the relationships of their returns with each other, inflation and interest rates; and
 - v. practical considerations.
- 6.2 The Board of Directors has adopted as the Policy Portfolio for the Plan Accounts the strategic asset mix summarized in the table below, with the target weightings indicated.

Asset Classes	Long-Term Target Weight (%)
Equity	37
<i>Public Market Equities</i>	25
<i>Private Equity</i>	12
Fixed Income	21
Credit	11
Real Assets	31
<i>Real Estate</i>	12
<i>Infrastructure</i>	12
<i>Natural Resources</i>	7

- 6.3 The Policy Portfolio sets out a strategy to mitigate risk through a diversified investment portfolio. The Policy Portfolio is reviewed at least annually to take into account, among other matters, changes, if any, to PSP Investments’ long-term expectations of market conditions, including expected return and risk of each asset class, and other factors affecting the funding of the Post-2000 Obligations.
- 6.4 Long-term target weights of the Policy Portfolio are implemented in a prudent and orderly manner, subject to market conditions and investment opportunities, and at a reasonable cost, recognizing that overly precise control of the Policy Portfolio targets can result in transaction costs that are not economically justified. PSP

Investments recognizes that some investment opportunities may be beneficial to the Plan Accounts without falling within those asset classes listed in section 6.2. Such complementary investments shall have no target weight but shall not surpass 3% of the Plan Accounts' value. Management may rebalance the assets in the Plan Accounts.

- 6.5 The Policy Portfolio represents a broad-based diversified portfolio of public and private assets including non-Canadian dollar denominated assets. The potential impact of currency fluctuations on returns is managed in accordance with internal policies and procedures.

Section VII - Diversification and Constraints

- 7.1 PSP Investments has adopted a Risk Appetite Statement, which outlines the appetite, attitude and tolerance to risk of the Board of Directors and Management which complements this Statement and the risk related policies and procedures of PSP Investments. The Risk Appetite Statement addresses, among other matters, risks related to the development of the Policy Portfolio.
- 7.2 PSP Investments' Treasury department manages PSP Investments' liquid short-term investments to ensure timely and cost-efficient funding to enable PSP Investments and the Plans to meet all of their relevant financial obligations as they become due and payable and to reduce the risk of liquidating assets unexpectedly and potentially at unfavourable prices. All investments undertaken by the Treasury department are selected with due consideration given to their effect on liquidity risk within the context of the Plan Accounts as well as the income to be derived. Such investments are made in accordance with internal policies and related procedures:
- 7.3 PSP Investments may use derivatives to achieve its investment and financial objectives, including without limitation, strategies to mitigate risk, reduce costs, increase expected returns, increase cash liquidity, or diversify financing and investing alternatives available to it.

Section VIII - Short Selling of Securities, Loans and Borrowing

- 8.1 PSP Investments may short sell any publicly traded securities (by way of borrowing securities or otherwise) to enhance expected returns or protect capital, provided, however, that short selling will only be done after full consideration of the related risks.
- 8.2 PSP Investments will provide the amount and type of collateral consistent with market requirements. Collateral is required to be held by the prime broker or lender in a manner designed to safeguard it, to the extent possible, from the interests of other creditors of the prime broker or lender. Publicly traded securities that are the object of short sales and any related collateral is marked-to-market daily so that exposures may be monitored.
- 8.3 PSP Investments (including, but not limited to trusts, partnerships, corporations, and other special purpose vehicles) may borrow money as permitted under the Act to satisfy cash flow needs, to avoid the untimely sale of assets or as described below.
- 8.4 Subject to the limitations described its' By-laws, PSP Investments may also guarantee the obligations of, or the performance of obligations by, entities in which PSP Investments have a direct or indirect equity interest, provided, however, that the liability under any such guarantee does not exceed a percentage of the obligations guaranteed which is equal to the direct or indirect percentage equity interest in the guaranteed entity. PSP Investments may pledge, charge, or otherwise grant a security in assets or post margin as required to complete derivative transactions, to secure a permitted borrowing or guarantee, or to complete a short sale, in accordance with applicable law. When engaging in permitted pledging, guarantees, or borrowing, PSP Investments gives consideration to the related risks.
- 8.5 PSP Investments believes that the prudent use of debt or leverage may enhance investment returns contributing to achieving PSP Investments' mandate within its risk appetite. PSP Investments is authorised to utilise leverage to execute investment strategies provided that:
- i. Due consideration is given to the related risks;
 - ii. Appropriate risk control measures are established; and
 - iii. Leverage activities are conducted in accordance with internal policies and related procedures.
- 8.6 Publicly traded securities may be lent out under a securities lending agreement. Where PSP Investments assumes counterparty risk, any securities lending agreement must require collateral in a manner consistent with industry standards. Collateral will be marked-to-market on a daily basis, and any shortfall in the amount of collateral will be rectified on a daily basis. PSP Investments' Risk Management department will establish a minimum rating for borrowers of securities and a procedure to review the creditworthiness of all borrowers when PSP Investments lends securities directly to such borrowers.

- 8.7 Securities borrowing transactions are generally used in conjunction with short sales, securities fails (securities sold but not made available for delivery on the settlement date), and option and arbitrage positions. PSP Investments is also permitted to engage in securities borrowing for hedging purposes incidental to the activities of buying, selling, holding or exchanging publicly traded securities as PSP Investments deems necessary or appropriate.

Section IX - Sustainable Investment

- 9.1 PSP Investments' sustainable investment practices are conducted in accordance with its Sustainable Investment Policy with the intent of fulfilling the investment objectives and policies of this Statement for the long-term benefit of the Plan Accounts and consistent with the objectives of PSP Investments, as set out in section 4 of the Act. At the center of its sustainable investment approach is the investment belief that identifying, monitoring, and capitalising on material nonfinancial factors contributes to a better long-term risk/return profile. PSP Investments seeks to integrate analysis of material non-financial risks and opportunities, including climate change, in its investment process from its initial investment analysis to post-investment monitoring through exit across all asset classes.
- 9.2 PSP Investments' governance model assigns accountability for its sustainable investment approach, including on climate change, across asset classes, corporate functions, executives, and the Board of Directors.

Section X - Valuation of Investments

- 10.1 PSP Investments measures its investment assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 10.2 The most reliable evidence of fair value is a quoted market price in an active market. Quoted market prices are used for the valuation of investments wherever such quoted prices are available. For investments for which a quoted market price in an active market is not readily available, a determination of fair value will be the responsibility of PSP Investments. The price of a recent investment commonly represents its fair value as of the transaction date. Quarterly, the fair value is reassessed to reflect the impact of market or investment-specific events using a combination of valuation methodologies which may include earnings multiples, discounted cash flow analysis, pricing models, fair value of comparable analysis and other generally accepted valuation practices applied consistently.

Section XI - Related Parties

- 11.1 PSP Investments may enter into a transaction with a Related Party only if the transaction:
- i. is required for the operation or administration of PSP Investments and is made on market terms and conditions; for the purpose of this paragraph, “market terms and conditions”, in respect of a transaction, means terms and conditions, including those relating to price, rent or interest rate, that would apply to a similar transaction in an open market under conditions requisite to a fair transaction between parties who are at arm’s length and acting prudently, knowledgeably and willingly;
 - ii. relates to securities of a Related Party acquired on a public exchange; or
 - iii. is of a nominal value; in assessing whether the value of a transaction is nominal, (i) two or more transactions with the same Related Party are considered a single transaction and (ii) a value of CA \$250,000.00 and below is considered to be nominal.

Section XII - Voting Rights

- 12.1 As an asset owner, PSP Investments shall conduct itself as an engaged, thoughtful, and principle-based investor. PSP Investments has an important allocation to public markets and uses its ownership positions in public equities to promote good governance practices by exercising its proxy voting rights. PSP Investments’ Corporate Governance and Proxy Voting Principles address issues of corporate governance and sustainable investment, on which PSP Investments may vote from time to time, as well as the principles on which it relies when voting.

Section XIII - Review of the Statement

- 13.1 The Board of Directors reviews the Statement at least once every fiscal year. This Statement may be changed or modified at any time by the Board of Directors.

Section XIV - Defined Terms

In this Statement:

“**Act**” means the Public Sector Pension Investment Board Act.

“**Board of Directors**” means the Board of Directors of PSP Investments.

“**Chief Actuary**” means the Chief Actuary of the Office of the Superintendent of Financial Institutions Canada.

“**Funds**” means, the respective pension funds and superannuation investment funds established within the meaning of each of the following (each, a “Fund”):

- i. The Public Service Superannuation Act;

- ii. The Canadian Forces Superannuation Act (“CFSA”);
- iii. The Royal Canadian Mounted Police Superannuation Act;
(collectively, the “Superannuation Acts”); *and*
- iv. The regulations under section 59.1 of the CFSA
(the “CFSA Regulations”).

“**Government**” means the Government of Canada.

“**Investment and Risk Committee**” means the Investment and Risk Committee of the Board of Directors.

“**Management**” means PSP Investments’ management.

“**Manager**” means an investment manager empowered with discretionary authority to invest the assets of PSP Investments.

“**Management Committee**” refers to the relevant Management Committee established by the President and CEO.

“**Members**” means the members and other beneficiaries of the respective Plans.

“**Plans**” means, collectively, the defined benefit pension plans established for the “Post-2000 obligations” under the acts and regulations in the definition of “Funds” above (each, a “Plan”).

“**Plan Accounts**” means, collectively, the accounts managed by PSP Investments relating to each Fund.

“**Policy Portfolio**” means market exposures to the approved asset classes, in the approved long-term target weightings, as set out in section 6.2.

“**Post-2000 obligations**” means all of the pension obligations under the Plans for service on or after April 1, 2000 and in the case of the Plan established under the CFSA Regulations for service on or after March 1, 2007.

“**Reference Portfolio**” refers to a portfolio that could be passively managed, is investable, and is composed of asset class benchmarks. It is used to determine the funding risk tolerance for the Plans. The Reference Portfolio is enclosed under Appendix A.

“**Regulations**” means the Public Sector Pension Investment Board Regulations, SOR/2000-77, as amended.

“**Related Party**” has the meaning given in section 1 of the Regulations.

“**Risk Appetite Statement**” refers to an internal PSP Investments document which outlines the appetite, attitude and tolerance to risk of the Board of Directors and Management.

“**Statement**” means this Statement of Investment Policies, Standards and Procedures.

Appendix A – Reference Portfolio

The Treasury Board of Canada Secretariat, with the help of the Asset-Liability Committee, determines the composition of the Reference Portfolio so that its pension funding risk, as determined through Asset-Liability Modelling (ALM), reflects the Government's risk tolerance for the Plans. The Reference Portfolio is communicated annually by the Treasury Board of Canada Secretariat on behalf of the President of Treasury Board to PSP

The Reference Portfolio that was communicated in Fiscal Year 2025 is as follows:

Asset Classes	Long-Term Target Weight (%)
Equity	59
<i>Canadian Equities</i>	12
<i>U.S. Equities</i>	19
<i>International Equities</i>	28
Government Fixed Income	41
<i>Cash</i>	2
<i>Canadian Government Fixed Income</i>	29
<i>World Government Bonds</i>	5
<i>Indexed-Linked Bonds</i>	5