



PUBLIC SECTOR PENSION INVESTMENT BOARD

RESPONSIBLE INVESTMENT POLICY

Approved by the Board of Directors on November 12, 2009

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1 MANDATE

The Public Sector Pension Investment Board (“PSP Investments”)¹ is a Crown Corporation established by Parliament pursuant to the *Public Sector Pension Investment Board Act*. The objects of PSP Investments are to:

(a) manage amounts that are transferred to it under the Canadian Forces Superannuation Act², the Public Service Superannuation Act and the Royal Canadian Mounted Police Superannuation Act (the “Superannuation Acts”) in the best interests of the contributors and beneficiaries under such Superannuation Acts; and

(b) 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 pension plans (the “Plans”) established under such Superannuation Acts and the ability of the Plans to meet their financial obligations.

2 RESPONSIBLE INVESTING PRINCIPLES

PSP Investments recognizes that a broad range of financial and non-financial considerations may be relevant in making investment decisions. These considerations will assist in assessing whether particular investments may properly be expected to contribute to or be detrimental to PSP Investments’ ability to achieve its objectives and perform its investment mandate.

We believe that responsible corporate behaviour with respect to environmental, social and governance (“ESG”) factors can generally have a positive influence on long-term financial performance, recognizing that the relative importance of ESG factors varies across industries, geography and time. In analysing the risks inherent in any investment, we look to identify, monitor and mitigate ESG issues that are, or could become material to long-term financial performance. Potential ESG risks or opportunities that are identified are assessed and appropriately considered as part of the investment strategy.

We take a pragmatic view in applying our approach to responsible investing which may at times have to be adapted to the local financial and legal environment and the commercial imperatives within which a particular company operates. However, we expect the companies in which we invest to always comply with the legal and regulatory regimes applicable to them.

3 ENGAGEMENT POLICY

PSP Investments pursues its goal of encouraging sustainable corporate conduct aimed at enhancing long-term financial performance through a policy of engagement for its

¹ In this document, *we* and *our* refer to PSP Investments.

² PSP Investments also manages the amounts that are transferred to it by the Reserve Force Pension Fund, in accordance with the Canadian Forces Superannuation Act.

public equity investments and where applicable, for its private asset investments. We believe that active engagement is preferential to screening stocks or investments, a process by which certain companies or entire industries can be precluded from consideration for investment based on non-financial or ESG considerations.

4 ENGAGEMENT PROCESS

4.1 Direct Engagement

PSP Investments will engage in a direct dialogue with companies to discuss concerns on ESG issues. ESG issues are prioritized using a risk-based approach, including relative risk and size of holdings. All direct engagement activities are selected taking into consideration the likely impact of the engagement and the ultimate benefit to the value of PSP Investments' holdings. Our preference is to conduct direct engagements privately.

4.2 Collaborative Engagement

PSP Investments participates in broader Canadian and international discussions about definitions, priorities, standards and best practices in responsible investing.

Collaborative initiatives with other like minded institutional investors leverages internal resources and are an effective way to encourage improved transparency and performance on ESG factors across PSP Investments' portfolio. Currently, PSP Investments is a member of the Canadian Coalition for Good Governance and a signatory to the Carbon Disclosure Project.

4.3 Proxy Voting

Proxy voting is an important component of our public equity engagement process. PSP Investments has adopted Proxy Voting Guidelines addressing the areas of corporate governance with respect to which we may be requested to vote on from time to time and the principles on which we will rely, at least initially, in determining a response to such requests. Our Proxy Voting Guidelines are available at www.investpsp.ca.

PSP Investments supports shareholder resolutions that require full and timely disclosure of all policies, practices and matters that may materially affect shareholder value. Disclosure is the key that allows investors to better understand, evaluate and assess potential risks and return, including the potential impact of ESG factors on a company's performance.

5 REVIEW

This Policy will be reviewed at least every two years or more frequently if needed.