

# PSSSP

# Sustainable Investing Report





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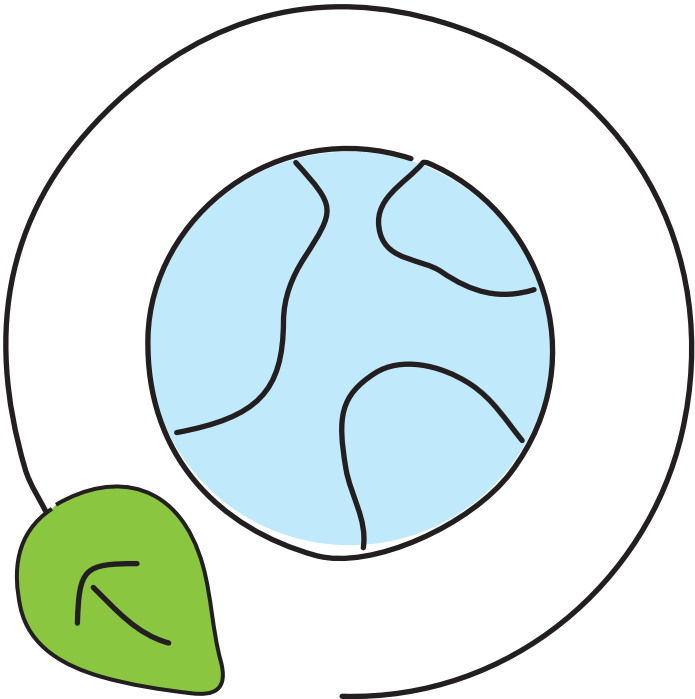
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# Sustainable Investing

The Public Service Superannuation Plan Trustee (Trustee) believes the primary goal of the Public Service Superannuation Fund (Fund) is satisfying pension obligations and maximizing returns on an absolute and relative basis within acceptable levels of risk. Complementing this belief is the idea that strong plan governance, including the management of environmental, social and governance (ESG) factors, increases the likelihood that the Fund performs well from a risk and return perspective over the long-term.

ESG factors relate to a type of investing known as sustainable investing, whereby non-financial considerations are included in evaluating investment opportunities. Examples of such considerations include: environmental issues such as climate change and water management; social issues such as human rights and labour standards; and governance issues such as executive pay and illegal activity.

Implementation of investment strategies that create long-term sustainable value, as well as the hiring of external service providers that consider the long-term impact of their actions, are key parts of the Fund’s sustainable investment approach. Consideration is given to the impact of actions on future PSS members and the importance of adapting the Fund to changing risks, such as climate change.



# Sustainable Investment Strategies

Through its administrator, Nova Scotia Pension Services Corporation (NS Pension), the Trustee employs several strategies to implement its sustainable investment program:

## 1) Partners – Investment Managers and Advisors

For the most part, the Trustee utilizes third party companies to implement its investment program. When hiring investment managers and advisors, extensive due diligence is undertaken to ensure that the appropriate partners are in place and, once hired, an extensive monitoring program ensures that the services provided continue to be strong.

The Trustee seeks out third party investment companies that (1) actively monitor ESG issues in their investments as part of their investment research and portfolio management decision-making processes, and (2) strive to understand the impacts of the ESG issues on their investments' potential risks and profits. As such, the integration of ESG factors in the research, analysis, and decision-making components of their investment processes are integral to the Trustee's selection and retention of investment companies.

A large majority of the Fund's third-party investment companies are signatories to the United Nations-supported principles for Responsible Investment (PRI). PRI is the world's leading proponent of responsible investment. It endeavors to understand the investment implications of environmental, social and governance (ESG) factors; as well as to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

## 2) Corporate Engagement

One of the most important ways to influence a corporation's behavior and encourage its management to progressively shift towards more sustainable practices is through engagement.

As mentioned, the Trustee utilizes third party investment managers and advisors to implement its investment program. In order to protect and enhance the Fund's long-term risk-adjusted returns, the Fund has historically influenced corporate management through indirect engagement. External investment managers and advisors have been employed to enhance the sustainable growth and corporate value of investee companies by engaging with companies and participating in the annual general meetings on behalf of the Fund.

The Trustee recognizes that climate change may have an impact on company holdings and in turn, the Fund's investment returns. In order to fully understand the risks, the Trustee, through discussions with its third-party investment managers/advisors, encourages companies to improve their carbon financial disclosures in order to provide investors with comparable and relevant data on climate change risks.

### 3) Proxy Voting

For public securities, the Trustee's third-party investment managers invest on the Trustee's behalf in securities (equity and fixed income) of various corporations. As such, the Trustee will generally delegate to those managers its proxy voting and direct engagement responsibilities.

The Trustee will encourage its investment managers to incorporate into their proxy voting and engagement guidelines, policies that encourage issuers to increase transparency relating to their ESG policies, procedures and other activities. When deciding proxy votes, the Trustee will expect its investment managers to consider shareholder proposals on ESG issues on a case-by-case basis, but generally support shareholder proposals that request reasonable disclosure of information related to ESG factors.

In select circumstances, to ensure that proxies are voted in accordance with the Trustee's engagement and climate change disclosure interests, the Trustee will, through NS Pension, explicitly engage with its investment managers. In doing so, the Trustee will support proposals that encourage disclosure by corporations on ESG factors and risks so that investors can be better informed as they perform their financial and fundamental analysis.

### 4) Direct Investments

#### **Real Estate Sustainable Initiatives Implementation**

Fund assets include a direct real estate program where investment and management decisions are undertaken by NS Pension. Given the importance of sustainable investing within the Fund generally, applying a similar lens on the real estate portfolio is deemed important.

For the past five years the real estate portfolio has included specific sustainability measures as part of its long-term investment strategy. Some of the practices evolved out of standard real estate management practices that had a focus on the business case for reducing utility costs by increasing energy efficiency. These basic real estate tools have merged into broader scope energy audits, a review process where cost savings as well as positive environmental benefits are measured.

When new properties are considered for purchase, standard practices have always been to diligence items such as local flood risks and soil contamination. This is now enhanced to include specific consideration of future extreme weather events and sea level rise, in coastal locations, that not only could cause damage to the property but could also change investor sentiment to investing in such locations in the future and thus affect the long-term investment returns.

As property investments involve longer time horizons, the Trustee's real estate investment strategies consider longer-term issues and the consequences these may have on the Fund and asset performance. Longer-term issues include changes in regulations that govern environmental and social matters.

Physical risks to the Fund's properties resulting from climate change, flooding and drought, as well as changing societal needs that may influence macro real estate trends, are considered. The Trustee is committed to: integrating responsible investing throughout its policies, due diligence activities, investment mandates and business plans; tracking and understanding consumption and emission trends of the direct portfolio; supporting initiatives that enhance responsible property investment policies and practices.

### Green Certifications

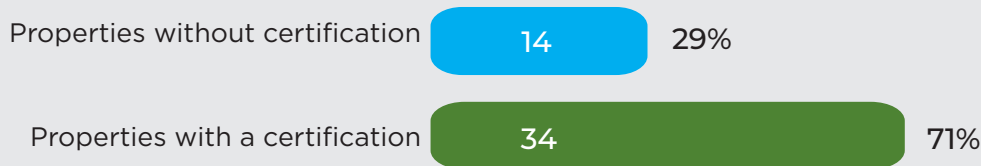
Assets in the Fund's real estate portfolio are assessed for certifications such as Leadership in Energy and Environmental Design (LEED) and Building Operators and Managers Association's Building Environmental Standards (BOMA BEST) certifications.

European properties are more commonly certified by Building Research Establishment's Environmental Assessment Method (BREEAM) or the German Sustainable Building Council's DGNB designation. BREEAM and DGNB are similar to LEED and are industry standards of sustainability assessment methodologies and certifications. In Europe, all commercial buildings must obtain an Energy Performance Certificate (EPC) that is a European Union standard assessment. The score ranges from A (highest) to G (lowest).

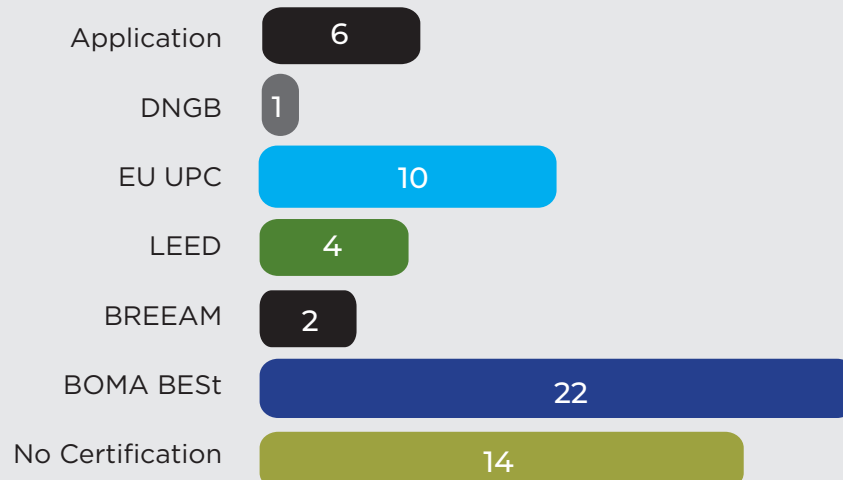
### Green Building Certifications - Number and Percentage by Certification Type

71 per cent of properties in the portfolio have received or have an application for a green building certification from a recognized certification body.

#### Building Certificate



#### Green Certificate Breakdown



**Resiliency**

Resiliency is a concept that is the next phase of execution of the sustainability strategy for the real estate portfolio.

Resiliency is a measure of the risk mitigation a building has in the face of weather events that will become more frequent and more extreme in the future as result of climate change. It can be measured, and buildings can become more resilient with targeted upgrades to infrastructure.

Over the next few years, the real estate program will be moving forward with a resiliency strategy that will result in more proactive actions being taken. Buildings considered for acquisition will be assessed on their resiliency to long term climate change and extreme weather risks and existing properties will assess the risk levels and plan defenses accordingly. These risk assessments will also be one additional factor in hold-sell decisions. Additional strategies will be explored as this project moves forward.





## Partners



### Climate action 100+

PSSPTI, through NS Pension, is a signatory to the Climate Action 100+. The Climate Action 100+ is an investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. More than 370 investors with over \$35 trillion in assets collectively under management are engaging companies to (1) curb emissions, (2) improve governance and (3) strengthen climate-related financial disclosures.



### Pension Investment Association of Canada (PIAC)

PSSPTI, through NS Pension, is an active member of PIAC, whose mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. PIAC also promotes sound standards of corporate governance in Canada.




### REALPAC

PSSPTI, through NS Pension, is a member of REALPAC. REALPAC is the national industry association dedicated to advancing the long-term vitality and sustainability of Canada's real property sector by supporting green initiatives and energy efficient practices in commercial buildings through Energy and Water Benchmarking Programs, amongst other initiatives.





### Ceres


PSSPTI, through NS Pension, is a member of Ceres. Ceres is a sustainability non-profit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Through powerful networks and advocacy, Ceres tackles the world's biggest sustainability challenges, including climate change, water scarcity and pollution, and inequitable workplaces.

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