

March 12, 2021

Mr. Chris Aylward
National President
Public Service Alliance of Canada
233 Gilmour Street
Ottawa, Ontario K2P 0P1

Subject: CoreCivic and the GEO Group

Dear Mr. Aylward,

Thank you for your letter dated March 10, 2021. In our correspondence from 2019, I confirmed that PSP Investments was not a direct shareholder of CoreCivic or GEO Group – this has not changed.

Our mandate is to manage the pension funds transferred to us by the Government of Canada in the best interest of the contributors and beneficiaries of the pension plans and to maximize investment returns without undue risk of loss, having regards to the funding, policies and requirements of the pension plans.

To achieve our mandate, we implement various investment strategies, including passive strategies involving index funds and niche strategies, including internal and external quantitative strategies.

You're correct in saying that the increase in exposure you identified cannot be attributed to an index replication strategy alone. Although the percentage increase that you noted was large, the dollar amount invested was relatively small and can also be attributed to quantitative strategies. The CoreCivic investment was in a passive index replication portfolio which follows the S&P 600 index. The GEO Group investment was mostly in a passive index replication portfolio which follows the S&P 600 index with a small amount to a maximum of approximately 73,000 shares worth roughly \$640,000 (USD) in a systematic quantitative portfolio.

Quantitative strategies are indifferent to the actual securities in which they invest but some may consider them to have an active element because they do involve

investments in specific securities. The securities that are traded under quantitative strategies are chosen based on historical trading patterns and algorithmic determination of certain attributes and correlations.

We are currently in the process of amending our index replication procedures to allow us to better integrate ESG considerations into our index replication processes. As a first step, we took actions to sell all of our positions in CoreCivic and Geo Group beginning in late February.

Finally, I would like to reiterate my invitation for us to get together to engage on issues of common concern and to take this opportunity to inform you that PSP is considering introducing new frameworks that will allow us to more fully discuss ESG and climate change related issues with our stakeholders within the context of our investment mandate. We hope to be able to share more details about the implementation of this initiative in the coming months, or through our engagements with the Pension Advisory Committees.

Sincerely,

A handwritten signature in black ink, appearing to read "Neil Cunningham", followed by a long horizontal line extending to the right.

Neil Cunningham
President & CEO
PSP Investments

Cc:

The Honourable Jean-Yves Duclos, President, Treasury Board of Canada
Martin J. Glynn, Chair, Board of Directors, PSP Investments
James Infantino, Pensions and Disability Insurance Officer, PSAC