POWER CORPORATION SUPERANNUATION PLAN

ANNUAL REPORT

SaskPower
Powering our future®

2022

YEAR AT A GLANCE

- A pension benefit increase of 1.84% became effective April 1, 2022, representing 70% of the increase in the consumer price index (CPI) for Saskatchewan for the prior year.
- During 2022, the Plan paid $58 million in pension benefits.
- The Plan's actual return in 2022 was negative 3.2% compared to negative 7.7% for the benchmark return.
- Net assets available for benefits were $596 million at the end of 2022, a decrease of $87 million from 2021.
- The Plan ended 2022 with a funding surplus of $36 million.

MISSION STATEMENT

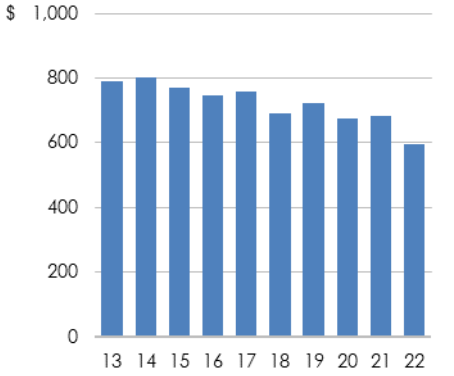
To provide continuous pension benefits for Plan members through:

- careful stewardship of assets and liabilities
- effective plan administration under current legislation

OVERVIEW

FINANCIAL HIGHLIGHTS

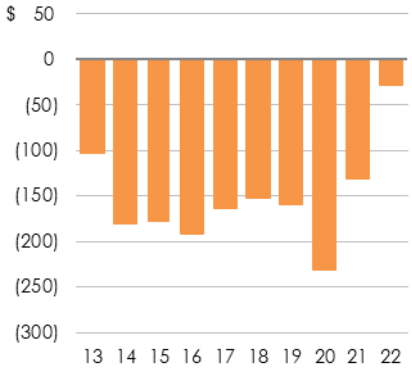
(in millions)	2022	2021
Investments		
Bonds	**$ 150**	$ 244
Equities	**304**	353
Real estate	**68**	35
Infrastructure	**81**	54
Receivables	**-**	3
Cash	**2**	2
Total assets	**605**	691
Liabilities	**9**	8
Net assets available for benefits	**596**	683
Pension obligations	**624**	814
Deficit	**$ (28)**	$ (131)



NET ASSETS AVAILABLE FOR BENEFITS
AS AT DECEMBER 31 (millions)

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in millions)	2022	2021
Increases:		
Investment income	**$ 13**	$ 14
Increase in fair value of investments	**-**	54
	13	68
Decreases:		
Decrease in fair value of investments	**38**	-
Benefit payments	**58**	59
Administration expenses	**4**	3
	100	62
Changes in net assets	**$ (87)**	$ 6



ACTUARIAL ACCOUNTING DEFICIT
AS AT DECEMBER 31 (millions)

INVESTMENT PERFORMANCE

Rates of return (%)	2022	2021
Plan rate of return	**(3.2)**	10.8
Plan benchmark	**(7.7)**	9.4
Four-year rolling average return	**5.8**	6.8
Four-year rolling benchmark	**6.4**	8.6

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This report summarizes certain provisions of the **Power Corporation Superannuation Plan** (the Plan). This report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions the legal requirements of the Plan will govern in all cases.

CHAIR'S MESSAGE

It is with pleasure I present the 2022 Power Corporation Superannuation Plan Annual Report. The report is intended to provide Plan members with relevant information about their pension plan.

A funding valuation was completed by the Plan's actuary, Eckler, at December 31, 2022. The Plan is 106% funded which is significant given the challenges markets experienced throughout 2022. During the year, the Plan returned negative 3.2 percent compared to the benchmark return of negative 7.7 percent.

Traditional bond-equity diversification failed for many investors during the year. The Plan's bonds returned negative 11.2 percent in 2022 and equities returned negative 9.7 percent. After two years of unprecedented monetary policy stimulus, central banks around the globe found themselves behind the curve in the spring of 2022, with robust demand, supply chain pressures and the war in Ukraine driving up food and energy prices. Central banks reacted in an attempt to reign in inflation that was growing at rates not experienced since the 1970s.

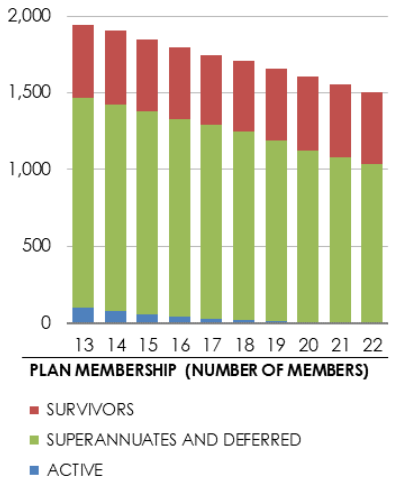
Central banks have indicated policy rates are unlikely to be reduced anytime soon, regardless of their impact on economic growth, as long as inflation is not closer to target. In December 2021, the Board decreased its allocation to bonds and increased its allocation to real assets. Real assets historically perform better than other asset classes during spikes in inflation. The Plan's real estate returned 7.4 percent during the year and infrastructure returned 31.6 percent. These changes had a positive impact on the Plan given the events of 2022 and will continue to provide long-term benefits to the Plan.

I am confident that the Plan is positioned well to endure a variety of market scenarios. Thank you to the Board and management for your contributions during the year. I look forward to working with you on the challenges and opportunities 2023 presents.

Finally, I would like to thank Grant Ring for his many years of service as the Chair of the Board. Grant's leadership was instrumental in modernizing the governance practices and investment strategies of the Plan. I would like to wish Grant all the best in his retirement.



Troy King
Chair
Power Corporation Superannuation Board



PLAN PROFILE

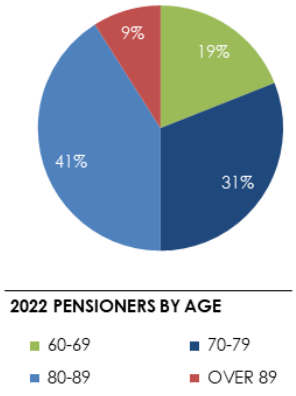
The Power Corporation Superannuation Plan (the Plan) originated with the passing of *The Power Commission Superannuation Act* in 1944. This defined benefit pension plan is governed by *The Power Corporation Superannuation Act* (the Act) and *The Superannuation (Supplementary Provisions) Act*. The Power Corporation Superannuation Board is responsible for administering the Act. The Plan comprises members who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

In accordance with the Act, the Saskatchewan Power Corporation (SaskPower) shall pay each member's basic pension, regardless of the financial status of the Plan. The value of the basic pension depends on a number of factors, including salary and years of service at retirement. Pension options, such as joint life of 60%, 75% or 100% and enhanced bridging, require the consideration of additional factors, such as a member's age and the spouse's age.

The Plan holds a well-diversified portfolio of bonds, equity, real estate and infrastructure investments. Net assets totalled $596 million at year-end, a decrease of $87 million over the previous year. Of this total, approximately $245 million or 40% of assets was invested in bonds, equities and real estate in Canada while the remaining 60% was invested in bonds, equities and infrastructure in over 50 different countries throughout the world. This diversification helps to maximize the return on assets and minimize the impact of volatility in individual markets.

Both members and employers (SaskPower and designated institutions) have contributed to funding. Since inception, cumulative contributions total $329 million. Of this amount, cumulative employer contributions represent 64% or $211 million of the total and cumulative employee contributions total 36%, or $118 million. During the year, the Plan paid $58 million in benefits; $59 million was paid in 2021.

The SaskPower Board approved a Power Corporation Superannuation Plan funding policy. SaskPower uses this policy to ensure that the Plan is adequately funded. At a minimum, an actuarial valuation for funding purposes is prepared every three years in accordance with the funding policy. In accordance with the policy, no contributions were made by SaskPower during 2022.



PLAN DEMOGRAPHICS

The Plan has been closed to new members since October 1, 1977. As a result, the number of active members has decreased steadily, primarily through retirement.

Over 99% of total members are receiving benefits. At December 31, 2022, there were 1,503 members and spouses receiving a pension and two active members.

Included in the Plan's active membership are SaskPower employees, as well as employees of SaskEnergy and other corporations that have been designated institutions by the Lieutenant Governor in Council. Effective June 28, 2001, these institutions were required to make contributions at a rate recommended by the Plan actuary.

SIGNIFICANT COMMUNICATIONS AND EVENTS

ANNUAL REPORT

The Power Corporation Superannuation Plan Annual Report is made available to all members.

PENSION COMMUNICATIONS

A Pension Update newsletter is mailed to all members annually.

INDEXATION

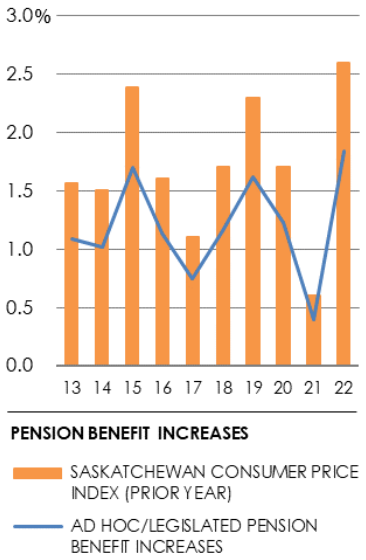
In the fall of 2006, the provincial government introduced legislation to set indexing for the Plan and other related provincial plans to 70% of the increase in the Saskatchewan consumer price index (CPI). Based on this methodology, an increase of 1.84% was granted in 2022.

INVESTMENT PERFORMANCE

The Plan's overall return in 2022 was negative 3.2% compared to the benchmark of negative 7.7%. The Plan's investment managers matched the benchmark over a 10-year cycle with a 7.3% return.

FUNDED STATUS

The Plan's funded surplus at the end of 2022 was $36 million. This is an increase of $4 million from the previous year end.



PLAN GOVERNANCE

AUTHORITY

The Power Corporation Superannuation Board is responsible for the overall governance and administration of the Plan. Board Members are appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Superannuation Act*. The mandate of the Board is to ensure the Plan is administered in accordance with the provisions of *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

ROLE OF THE BOARD

The Board selects the Plan's actuary, custodian and investment managers, and sets the Plan's investment policy. The Board is also responsible for stewardship; overseeing the identification and management of principal risks; reviewing investment policies and the performance of investment managers; evaluating the pension obligation; adopting policies that provide effective communication and maintain the integrity of internal controls; and ensuring that the financial statements are audited by an independent external auditor.

The Board bases its decisions on comprehensive research and input from expert advisors and staff. The Board serves as a vital check to ensure the prudent management of the Plan's assets and monitors the Plan's overall administration to ensure that members, superannuates and survivors receive the benefits to which they are entitled by governing legislation.

BOARD COMPOSITION ***AS AT DECEMBER 31, 2022***	
Troy King Acting Chair	Executive Vice President, Chief Strategy, Technology & Financial Officer, SaskPower
Rachelle Verret Morphy Vice-chair	Executive Vice President, Legal & Corporate Services and General Counsel, SaskPower Acting Executive Vice President, People, Safety & Indigenous and Corporate Relations, SaskPower
Maria McCullough SaskEnergy representative	Executive Vice President, Human Resources and Safety, SaskEnergy
Ken Pielak Superannuate Representative Power Pioneers Association Inc.	SaskEnergy (retired)
Kerry Friesen Superannuate Representative Power Pioneers Association Inc.	SaskPower (retired)
Kathy Zwick Superannuate Representative Power Pioneers Association Inc.	SaskPower (retired)

BOARD MEMBER TRAINING

Board Members bring forward the benefits associated with diverse experiences and a variety of professional attributes. However, it is important they are knowledgeable in pension related matters and that they remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, annual training, development and maintenance for the Board (including travel and related costs) are paid for by the Plan. In 2022, Board Member costs totalled $16 thousand.

These costs do not include any Board Member training that may have been paid by SaskPower or any other institution. Board Members do not receive compensation for their services.

BOARD AND MANAGEMENT

Although the Board is responsible for overseeing the administration of the Plan, SaskPower is responsible for its day-to-day operations. SaskPower staff that work with the Plan are expected to act within Board-approved policies and directives.

On a monthly basis, SaskPower staff members are involved in monitoring the activities of the investment managers and reviewing the asset mix. SaskPower staff report to the Board on a regular basis, providing summarized information relating to financial transactions, investments, retirement benefit activity and overall performance.

INDEPENDENT EXPERTS

The Plan's Statement of Investment Policies and Procedures (SIP&P) provides guidelines for investment and monitoring assets. These principles were established to optimize the Plan's return on investments based on a given level of risk acceptable to the Board. The Board reviews the policies annually and changes are made as necessary. The policies outline a governance structure that allows the Board to retain the services of independent experts to assist it in fulfilling its responsibilities. The Board contracts independent actuarial and investment professionals, as well as a custodian.

The Board is required to meet at least quarterly with the investment advisor and annually with each of the investment managers to discuss past performance, strategies and expected future performance, as required by the SIP&P. As well, the Board reviews valuation results with the actuary. It also meets with the Plan's external auditor before and after the annual audit of the financial statements. In 2022, the Board met quarterly to review financial results, performance and retirement benefit activity.

INVESTMENT MANAGERS

Investment managers at December 31, 2022, were:

ASSET CLASS	INVESTEMENT MANAGER
Bonds	Phillips, Hager & North Investment Management
Global equity	Connor, Clark & Lunn Investment Management Limited
Global equity	Mawer Investment Management Limited
Real estate	TD Asset Management Inc.
Infrastructure	Macquarie Capital Markets Canada Limited

Investment managers are chosen based on their expertise and investment style within a particular asset class. The Board has a formal agreement with each investment manager that contains a mandate formulated to obtain an acceptable risk/return profile for each asset class. The investment managers report results to the Board on a regular basis.

INVESTMENT CONSULTANT

Eckler is the Plan's investment consultant and provides an analytical review of the total fund, asset classes and investment managers' performance. This assessment is completed relative to peer and plan benchmarks, as well as each manager's style and risk characteristics. The investment advisor subsequently comments on the acceptability of performance, while advising the Board on overall investment policy and management that would best achieve objectives.

CUSTODIAN

RBC Investor & Treasury Services (RBC I&TS) serves as custodian. In this role, RBC I&TS holds custody of assets and is responsible for executing investment transactions while collecting income. The custodian also provides record-keeping services and monitors investments to ensure they are in compliance with both individual investment manager mandates and the SIP&P.

ACTUARY

Eckler prepares actuarial valuations for accounting purposes every three years. Also, every three years or as requested, Eckler provides valuations for funding purposes.

AUDITORS

An independent external auditor, Deloitte LLP, was contracted to perform the 2022 annual audit of the Plan's financial statements. The audit is conducted in accordance with Canadian generally accepted auditing standards. Deloitte LLP's professional opinion on the financial statements is found in its Independent Auditor's Report, attached to the financial statements. On an annual basis, the Provincial Auditor reviews the independent external auditor's work on the financial statements. The Independent Auditor's Report is found on page 11.

INVESTMENT HIGHLIGHTS

INVESTMENT STRATEGY

The investment objective of the Plan is to meet current and future pension payment obligations. Assets are invested in a diversified portfolio; the funds are placed with a number of investment managers for investment in a wide range of securities and asset classes. Managers are assigned specific mandates and their performance is monitored against pre-determined benchmarks. By holding a combination of different types of investments in a portfolio, the negative effect of fluctuations in the markets is minimized and the risk of having a large loss is reduced.

INVESTMENT POLICIES

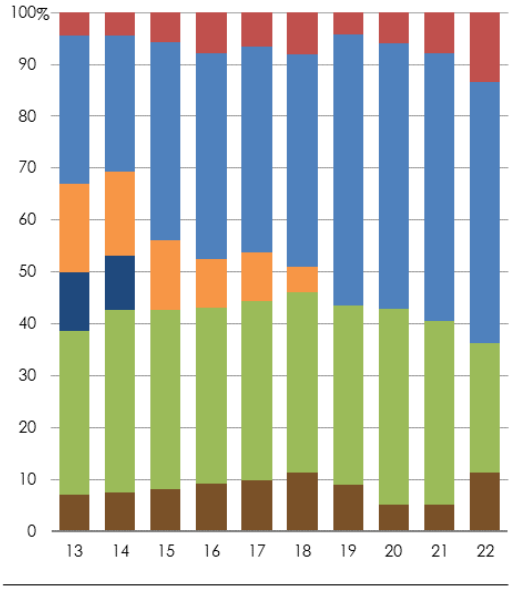
The Plan's SIP&P is approved by the Power Corporation Superannuation Board, and is consistent with *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act,* and *The Superannuation Acts Uniform Regulations*. The SIP&P communicates a philosophy of diversification and protection of capital to investment managers with an objective of optimizing the Plan's risk/return relationship. To achieve acceptable levels of diversification and risk control, the SIP&P sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, bond ratings and bond duration.

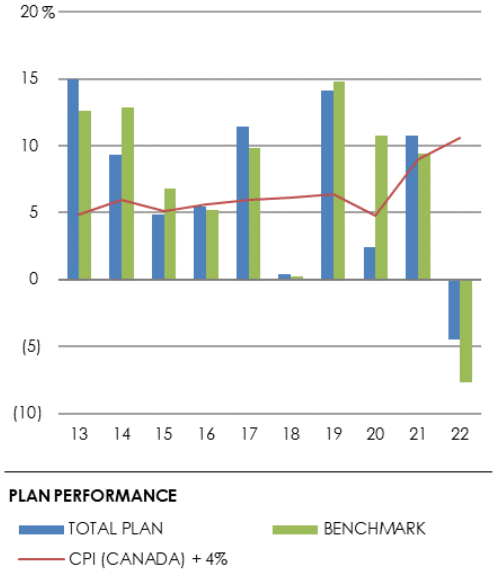
At present, the target asset mix for the Plan is 50% equity, 25% bonds, 10% real estate and 15% infrastructure. The actual mix at any one time, however, may differ from this target due to fluctuations in the market. The Plan's asset mix at the end of the year was in compliance with the guidelines laid out in the SIP&P.

The Plan's primary investment objective is to achieve a return higher than the asset mix benchmark return. A secondary objective is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles or over a four to 10-year period.

A benchmark return, based on the actual return of a market index, is identified in the SIP&P for each of the Plan's investment mandates. The market index used for each mandate is as follows:

- 50% FTSE TMX Universe Bond Index for the bond mandate;
- Morgan Stanley Capital International (MSCI) All Country World Index for the global equity mandate;
- MSCI Real Pac Quarterly Property Fund Index for the real estate mandate; and
- Consumer Price Index plus acceptable return approach for the infrastructure mandate.





The Plan's benchmark return has been determined using the actual returns of the above noted market indices, weighted based on the target asset mix for the investment mandate for which each index serves as a benchmark. Monitoring performance is a key activity in supporting the investment objectives. The policies outline a benchmark portfolio comprising market index assets weighted at the same asset allocation of the Plan. While broadly diversified, the benchmark portfolio emphasizes equity over bond investments on the basis of substantial evidence that, over time, equities provide superior returns.

INVESTMENT PERFORMANCE

The Plan's performance is measured by comparing its return to the benchmark portfolio. The following is a summary of the Plan's investment performance:

	2022		2021	
Rates of return (%)	**Investment return**	**Investment benchmark return**	Investment return	Investment benchmark return
Bonds	**(11.2)**	**(11.7)**	(1.8)	(2.5)
Global equities	**(9.7)**	**(12.4)**	19.8	17.5
Real estate	**7.4**	**9.0**	14.6	15.4
Infrastructure	**31.6**	**11.6**	16.5	10.0
Annual rate of return	**(3.2)**	**(7.7)**	10.8	9.4
Four-year rolling average return	**5.8**	**6.4**	6.8	8.6

A common standard within the pension fund industry is to calculate performance on a four-year cycle and, where possible, on a 10-year cycle. These longer-term measures have greater relevance and lower volatility than a one-year measurement. The largest contributor to the Plan's four-year underperformance (5.8%), compared to the benchmark (6.4%), was the Plan's 35% allocation to global low volatility equity during 2020. The Plan's manager for this asset class experienced significant underperformance in 2020 as the global pandemic impacted markets (negative 11.3% compared to the benchmark of 14.2%). In 2021, the manager's performance was stronger than the prior year, matching the benchmark return of 17.5%. In April 2022, the Board discontinued the Plan's allocation to global low volatility equity. Over the past 10 years, the Plan has averaged an annual return of 7.3% compared to the benchmark of 7.3%.

While returns fluctuate from year to year, the underlying volatility of individual asset class returns is even more pronounced. Because the investment policies set out a diversification strategy designed to mitigate the effects of volatility, the Plan's returns have historically been more stable than the returns of any single asset class.

FINANCIAL HIGHLIGHTS

Overall, the Plan ended the year with net assets available for benefits totalling $596 million, a decrease of $87 million over the previous year. Over the past five years, the Plan had a decrease in net assets available for benefits of $163 million while paying out $301 million in benefits.

In 2022, the Plan paid $58 million in benefits and $4 million in administrative expenses. The administrative expenses represent fees paid to the investment managers, investment advisor and custodian for managing, monitoring and recording investments. These fees are based on the fair value of assets under management.

ACTUARIAL VALUATION

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge within the Plan requires a sound financial base. To assess the financial status of the Plan, two methods are used to value the Plan:

- An actuarial valuation for funding purposes is prepared every three years. It determines the long-term financial health of the Plan. In preparing the funding valuation, the actuary projects the Plan's benefit costs (including inflation protection) and compares them to plan assets.

- An actuarial valuation for accounting purposes is performed every three years at September 30 and extrapolated to December 31 annually. The valuations and extrapolations are based on best estimates in accordance with Chartered Professional Accountants (CPA) Handbook Section 4600.

ACTUARIAL METHODOLOGY AND ASSUMPTIONS

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and future events are deemed to occur according to these assumptions. The actuarial assumptions are management's best estimate and attempt to arrive at the most likely outcome. The discount rate for the accounting valuation has been determined in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) 19. The discount rate is prescribed to approximate the long-term high-quality Canadian corporate bond yield as at December 31, 2022.

In 2014, the Canadian Institute of Actuaries (Institute) completed a broad study on Canadian pensioner mortality levels and trends. The Institute updated its mortality tables based on its findings. In 2014, SaskPower, partnered with other Saskatchewan public sector pension plans to engage an actuary (Aon Hewitt) to analyze these public sector plans to make an estimate of life expectancy based on the combined historical data. Aon Hewitt recommended, and SaskPower adopted, the mortality assumption which most closely matched the Plan's experience: the 2014 Private Sector Mortality Table (CPM2014Priv) with 95% scaling for male mortality rates, 110% scaling factor for female mortality rates and two-dimensional generational mortality improvements using Improvement Scale B (CPM-B).

The actuarial assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics — the age, length of service and salary ranges of the membership. Information is processed on active members, pensioners and surviving spouses who receive benefits. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

Actuarial assumptions	**2022**	2021
Discount rate, beginning of year	**2.85%**	2.30%
Discount rate, end of the year	**5.05%**	2.85%
Long-term inflation rate	**2.00%**	2.00%
Assumptions for benefit increases (% of Saskatchewan CPI)	**70.00%**	70.00%

ACTUARIAL VALUATION FOR FUNDING PURPOSES

The actuarial assumptions for the funding valuation are management's best estimate and attempt to arrive at the most likely outcome. With the exception of the discount rate, the assumptions for the funding valuation are consistent with the assumptions for the accounting valuation. The discount rate for the funding valuation is management's estimate of the return on the Plan's assets.

Actuarial funding surplus (deficit) (in millions)		**2022**		2019
Actuarial value of assets	**$**	**628**	$	695
Total liabilities		**592**		696
Surplus (deficit)	**$**	**36**	$	(1)

SaskPower has a funding policy which specifies the amount of funding into the Plan by SaskPower in a given year shall be a range. The minimum amount, when the Plan's funded status is 95% or greater, is zero and when the Plan's funded status is less than 95%, is the funding deficit divided by 10. The maximum amount of funding into the Plan is the funding deficit. Funding into the Plan in a given year shall take place within three months following the actuary finalizing its Funding Valuation for the Plan.

In interim years, to the three-year requirement for an actuarial valuation for funding purposes, an estimate is prepared. At December 31, 2022, the Plan's funded status was 106% with a surplus of $36 million.

ACTUARIAL VALUATION FOR ACCOUNTING PURPOSES

In 2022, the Plan recognized an actuarial accounting deficit of $28 million (financial statement reporting), compared to a $131 million deficit at the previous year end. The pension obligations decreased by $190 million primarily due to the discount rate increasing from 2.85% at the beginning of the year to 5.05% at the end of the year.

Net assets available for benefits have decreased by $87 million.

Actuarial accounting deficit (in millions)		**2022**		2021
Net assets available for benefits	**$**	**596**	$	683
Pension obligations		**624**		814
Deficit	**$**	**(28)**	$	(131)

The following illustrates the sensitivity of some of the major assumptions used in preparing the December 31, 2022, actuarial extrapolation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would not change the deficit.

Discount rate: An increase in the discount rate of 1.00% (from 5.05% to 6.05%) would decrease liabilities, reducing the plan deficit by $57 million.

Inflation: An inflation rate assumption that is 1.00% higher than the assumed rate (from 2.00% to 3.00%) would reduce the deficit by $21 million. A higher inflation rate assumption increases both the discount rate and future pension obligation increases.

Mortality: A change in the mortality assumption so that each member is one year older would decrease liabilities, reducing the plan deficit by $21 million.

REPORT OF MANAGEMENT

The financial statements of the Power Corporation Superannuation Plan (the Plan) are the responsibility of management and have been prepared in accordance with Canadian accounting standards for pension plans. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to March 17, 2023. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Plan's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate and that transactions are executed in accordance with management's authorization. This system includes policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities. SaskPower's internal audit function independently evaluates the effectiveness of these controls.

The Power Corporation Superannuation Board is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings, the Board reviews audit, internal control and financial matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, financial statements and the Independent Auditor's Report have been reviewed and approved by the Board. The external auditor has full and open access to the Board with and without the presence of management.

The financial statements have been audited by Deloitte LLP, Chartered Professional Accountants, as appointed by the Lieutenant Governor in Council. The independent external auditor's responsibility is to express its opinion on whether the financial statements are fairly presented in all material respects in accordance with Canadian accounting standards for pension plans.

On behalf of management,



Derek Bjornson
Director, Business Analysis & Treasury
SaskPower
April 10, 2023



Jolene Beblow
Manager, Pension Administration
SaskPower

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

Opinion
We have audited the financial statements of the Power Corporation Superannuation Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2022, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2022 and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans ("ASPP").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
April 10, 2023
Regina, Saskatchewan

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands)

	2022	2021
Assets		
Investments *(Note 4)*		
Bonds	**$ 150,216**	$ 243,516
Equities	**304,318**	352,817
Real estate	**68,253**	34,792
Infrastructure	**80,740**	54,466
	603,527	685,591
Receivables		
Accrued investment income	**41**	3,060
Cash	**1,830**	2,070
Total assets	**605,398**	690,721
Liabilities		
Accounts payable and other liabilities	**9,207**	7,815
Net assets available for benefits	**$ 596,191**	$ 682,906
Pension obligations and deficit		
Pension obligations	**$ 624,122**	$ 813,804
Deficit	**(27,931)**	(130,898)
Pension obligations and deficit	**$ 596,191**	$ 682,906

See accompanying notes

On behalf of the Board:



Troy King
Chair



Rachelle Verret Morphy
Vice Chair

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31
(in thousands)

	2022	2021
Increase in net assets		
Investment income		
Bond interest	**$ 6,873**	$ 6,295
Dividends	**5,990**	8,161
	12,863	14,456
Increase in fair value of investments	**-**	53,809
Total increase in net assets	**12,863**	68,265
Decrease in net assets		
Decrease in fair value of investments	**38,088**	-
Benefit payments	**57,850**	58,608
Death benefit payments	**5**	309
Administrative expenses *(Note 9)*	**3,635**	3,021
Total decrease in net assets	**99,578**	61,938
Changes in net assets	**(86,715)**	6,327
Net assets available for benefits, beginning of year	**682,906**	676,579
Net assets available for benefits, end of year	**$ 596,191**	$ 682,906

See accompanying notes

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the year ended December 31
(in thousands)

	2022	2021
Increase in pension obligations		
Interest on obligations	**$ 26,458**	$ 23,495
Experience losses	**2,913**	-
	29,371	23,495
Decrease in pension obligations		
Benefits paid	**57,850**	58,608
Refunds, transfers and death benefits	**5**	309
Actuarial gains	**161,198**	50,094
Experience gains	**-**	7,635
	219,053	116,646
Net decrease in pension obligations	**(189,682)**	(93,151)
Pension obligations, beginning of year	**813,804**	906,955
Pension obligations, end of year	**$ 624,122**	$ 813,804

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following description of the Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

(a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation; SaskPower) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant Governor in Council.

(b) Funding policy

In accordance with *The Power Corporation Superannuation Act* (Act), the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. The Act does not require the Plan to be funded but states that SaskPower is responsible for funding any deficiency.

The Corporation hires an actuary to determine the funded status of the Plan every three years. The most recent funding valuation was completed for the year ended December 31, 2022.

The Corporation has a funding policy which specifies the amount of funding into the Plan by the Corporation in a given year shall be a range. The minimum amount, when the Plan's funded status is 95% or greater, is zero and when the Plan's funded status is less than 95%, is the funding deficit divided by 10. The maximum amount of funding into the Plan is the funding deficit. Funding into the Plan in a given year shall take place within 3 months following the actuary finalizing its Funding Valuation for the Plan.

(c) Employee and employer contributions

By December 31, 2013 all plan members reached the maximum pensionable years of service (35 years) and are no longer required to contribute to the Plan. As a result, employer current service contributions have also ceased.

(d) Retirement allowances

The Plan provides an unreduced retirement allowance at age 65 with at least five years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service. Retirement allowances are based on 2% of the best five-year average annual salary multiplied by the years of pensionable service, up to a maximum of 35 years, subject to Canada Revenue Agency maximums. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan for pensionable service from January 1, 1966.

Pension obligations are increased at a rate equal to 70% of the increase in the consumer price index (CPI) for Saskatchewan in the preceding calendar year. Increases are subject to the maximum increase permitted under the *Income Tax Act* (Canada).

(e) Survivors' allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement. Effective June 27, 2003, retired members who have had a change in marital status after

retirement may apply to convert their retirement allowance to recognize their new spouse, provided certain criteria are met. The revised retirement allowance for the member and the retirement allowance paid to the new spouse will be based on data at the time of conversion.

Members may select the basic retirement allowance that will pass 60% of the retirement allowance to their spouse upon their death. For death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit (the amount due to Canada Pension Plan integration payable until the member would have turned age 65).

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, until the member would have turned age 65.

(f) Income taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* (Canada) and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld and remitted to the Canada Revenue Agency.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements for the year ended December 31, 2022, have been prepared in accordance with Canadian accounting standards for pension plans as outlined in Part IV of the Chartered Professional Accountants (CPA) Handbook Section 4600, *Pension Plans.* For matters not addressed in Section 4600, the Plan follows the requirements of International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board on March 17, 2023.

(b) Functional and presentations currency

These financial statements are presented in Canadian dollars, which is the Plan's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(c) Use of estimates and judgments

The preparation of the Plan financial statements in conformity with Canadian accounting standards for pension plans requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the pension obligation, the fair value of investments and investment related receivables and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(d) New standards and interpretations not yet adopted

New standards and amendments to standards and interpretations which are not yet effective for the year ended December 31, 2022, have been applied in preparing these financial statements. In particular, the Plan reviewed the following amended standard:

- Section 4600, *Pension Plans* issued in December 2022, effective for fiscal years beginning on or after January 1, 2024 (earlier adoption is permitted)

The Plan applied the amended Pension Plan standard to the financial statements at December 31, 2022. The amended standard had no impact on the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Pension obligation

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and non-economic future events (Note 7). The triennial valuation for funding purposes is described in Note 1b above.

(b) Investment income

Investment income is recorded when allocated by the pooled fund. It includes pooled-fund interest and pooled-fund dividends.

(c) Benefits

Payments of pensions, refunds and transfers out of the Plan are recorded on an accrual basis.

(d) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Financial assets and liabilities denominated in foreign currency are adjusted to reflect exchange rates at the reporting date. Foreign currency translation gains and losses are included in the increase or decrease in fair value of investments.

(e) Financial instruments

Classification and measurement

All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Subsequent to initial measurement, changes in fair value of financial instruments are recognized in the statement of changes in net assets available for benefits in increase or decrease in fair value of investments.

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 in the principal or most advantageous market at the measurement date.

The Plan has classified the fair value of its investments as level 1, 2, or 3 *(Note 5)* as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Plan has immediate access. Investments in equities are recorded at fair value which is determined using year-end market prices from recognized security dealers. Transactions in equities are recorded as of the trade date.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Investments in bonds are recorded at fair value which is determined using year-end mid-market prices from a recognized security dealer. Transactions in bonds are recorded as of the trade date.

Pooled funds are recorded based on the net asset value per unit of the underlying investments determined using year-end market prices.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

Real estate is in a pooled fund and is recorded based on the net asset value per unit of the underlying investments determined using independent appraisals.

Infrastructure investments are valued by the infrastructure manager using one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. The discounted cash flow model is the primary valuation method to estimate the fair value of the infrastructure investments.

4. INVESTMENTS

Schedule of investments

The primary investment objective is to ensure the Plan has sufficient assets to meet pension payments. The second objective is to optimize the risk/return relationship of the Plan. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest the Plan's assets into a diversified pool of investments, such as global equities, bonds and alternative investments. The Plan's target asset mix is 50% equity, 25% bonds, 10% real estate and 15% infrastructure. The schedule below summarizes the Plan's investments as at December 31:

(in thousands)		**2022**		2021
Bonds				
Government of Canada and federally-guaranteed	**$**	**25,837**	$	62,086
Provincial and provincially-guaranteed *(Note 8)*		**45,286**		81,285
Corporate (Canadian)		**60,775**		65,597
Corporate (Global)		**5,449**		10,108
Other		**12,869**		24,440
		150,216		243,516
Equities				
Global		**304,318**		352,817
		304,318		352,817
Alternatives				
Real estate		**68,253**		34,792
Infrastructure		**80,740**		54,466
		148,993		89,258
Total investments	**$**	**603,527**	$	685,591

Bonds

The Plan's bond portfolio consists of pooled fund investments and is invested as follows at December 31:

(in thousands)		2022		2021	
	Years to maturity	**Fair value**	**Average yield to maturity (%)**	Fair Value	Average yield to maturity (%)
Federal bonds	0-5	**$ 19,323**	**3.7**	$ 50,152	1.1
	6-10	**5,646**	**3.3**	6,044	1.4
	11-15	**48**	**3.3**	-	-
	16-20	**2**	**3.4**	3	1.7
	20+	**818**	**3.3**	5,887	1.7
		25,837		62,086	
Provincial bonds	0-5	**1,888**	**4.1**	3,999	1.5
	6-10	**16,077**	**4.0**	26,703	1.9
	11-15	**3,696**	**4.3**	7,296	2.3
	16-20	**2,847**	**4.6**	5,754	2.4
	20+	**20,778**	**4.3**	37,533	2.5
		45,286		81,285	
Canadian Corporate bonds	0-5	**27,815**	**5.4**	17,512	2.3
	6-10	**22,784**	**5.3**	24,870	2.7
	11-15	**2,863**	**5.3**	6,758	2.8
	16-20	**2,245**	**5.5**	4,163	3.2
	20+	**5,068**	**5.6**	12,294	3.5
		60,775		65,597	
Global Corporate bonds	0-5	**2,795**	**9.6**	3,639	5.6
	6-10	**2,377**	**8.3**	4,683	4.6
	11-15	**94**	**7.2**	497	4.5
	16-20	**30**	**6.1**	203	3.1
	20+	**153**	**8.1**	1,086	5.2
		5,449		10,108	
Other bonds[1]	0-5	**5,834**	**5.7**	19,119	1.8
	6-10	**2,936**	**5.8**	3,731	3.7
	11-15	**271**	**7.4**	606	5.5
	16-20	**138**	**6.9**	292	6.2
	20+	**3,690**	**4.5**	692	6.5
		12,869		24,440	
Total bonds		**$ 150,216**		$ 243,516	

1. Includes global sovereign bonds, cash, emerging market foreign exchange and mortgages

The bond portfolio breakdown is as follows at December 31:

(in thousands)		2022		2021	
	Bond Asset class	**Fair value**	**% of Plan investments**	Fair value	% of Plan investments
Phillips Hager & North Investment Management	Pooled	**$ 150,216**	**24.9**	$ 243,516	35.5
Total bond assets		**$ 150,216**	**24.9**	$ 243,516	35.5

Equities

The Plan's equity investments consist of pooled fund investments. Equity investments are generally limited to stocks that are publicly traded on a recognized stock exchange. At December 31, 2022, the Plan held $304,318 thousand in equities invested in global mandates (2021 - $352,817 thousand).

Dividends are generally declared on a quarterly basis and allocated by the pooled funds to the Plan on an annual basis.

Pooled funds

A pooled fund contains funds from many individual investors that are aggregated for the purpose of investment. The unit price of the pooled fund is determined by the fair value of the assets in the fund. The equity pooled fund breakdown is as follows at December 31:

	Asset class	**Fair value**	**% of Plan investments**	Fair value	% of Plan investments
Mawer Investment Management Limited	Global equity	**$ 151,035**	**25.0**	$ 146,751	21.4
Connor, Clark & Lunn Investment Management Limited	Global equity	**153,283**	**25.4**	-	-
TD Asset Management Inc.	Global equity	**-**	**-**	206,066	30.1
Total pooled fund equity assets		**$ 304,318**	**50.4**	$ 352,817	51.5

Real estate

The Plan's real estate portfolio is a Canadian-based pooled fund that is diversified through all parts of Canada and holds office, retail and industrial properties.

		2022		2021	
	Asset class	**Fair value**	**% of Plan investments**	Fair value	% of Plan investments
TD Asset Management Inc.	Real estate	**$ 68,253**	**11.3**	$ 34,792	5.1
Total real estate assets		**$ 68,253**	**11.3**	$ 34,792	5.1

Infrastructure

The Plan's infrastructure portfolio is comprised of five funds managed by Macquarie Asset Management. Two funds are based primarily in Europe, one is focused on the United States and Canada and two are global funds primarily focused on Europe and North America. Information

on each fund follows at December 31:

(in thousands)	2022				2021
	Capital commitment	Cash contributed	Undrawn capital commitment	Undrawn capital commitment CDN	Fair value of investment CDN	Fair value of investment CDN
MIP III Fund[1]	15,000 USD	13,252 USD	1,748 USD	$ 2,367	$ 28,768	$ 19,660
MIGS II Fund[2]	35,000 USD	30,964 USD	4,036 USD	5,466	45,122	34,484
MGIF Fund[3]	10,000 USD	4,814 USD	5,186 USD	7,024	6,633	-
MEIF III Fund[4]	11,250 EUR	11,250 EUR	- EUR	-	173	176
MEIF 7 Fund[5]	25,000 EUR	- EUR	25,000 EUR	36,145	44	-
MIP II Fund[6]	$ 15,000 USD	$ 14,240 USD	$ - USD	-	-	146
Total				$ 51,002	$ 80,740	$ 54,466

(in thousands)	2021				2020
	Capital commitment	Cash contributed	Undrawn capital commitment	Undrawn capital commitment CDN	Fair value of investment CDN	Fair value of investment CDN
MIP II Fund	$ 15,000 USD	$ 14,240 USD	$ 760 USD	$ 964	$ 146	$ 4,965
MIP III Fund	15,000 USD	12,811 USD	2,189 USD	2,775	19,660	16,552
MEIF III Fund	11,250 EUR	11,250 EUR	- EUR	-	176	773
MIGS II Fund	35,000 USD	25,105 USD	9,895 USD	12,545	34,484	17,548
Total				$ 16,284	$ 54,466	$ 39,838

1. Macquarie Infrastructure Partners III
2. Macquarie Infrastructure and Real Assets Infrastructure Global Solution II
3. Macquarie Global Infrastructure Fund
4. Macquarie European Infrastructure Fund III
5. Macquarie European Infrastructure Fund 7
6. Macquarie Infrastructure Partners II

The infrastructure manager requests capital from the Plan as needed. The Plan is contractually obligated to honour the manager's capital calls until the undrawn capital commitment is depleted.

The infrastructure manager uses internal valuation policies to establish a fair value for the underlying assets. The valuations are prepared quarterly and take into account various economic, operational and financial assumptions.

5. FINANCIAL INSTRUMENTS

The following table categorizes the Plan's financial instruments, by level (refer to *Note 3e*) as at December 31:

(in thousands)	2022				2021			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Cash	**$ 1,830**	**$ -**	**$ -**	**$ 1,830**	$ 2,070	$ -	$ -	$ 2,070
Bonds	**-**	**150,216**	**-**	**150,216**	-	243,516	-	243,516
Equities	**-**	**304,318**	**-**	**304,318**	-	352,817	-	352,817
Real estate	**-**	**-**	**68,253**	**68,253**	-	-	34,792	34,792
Infrastructure	**-**	**-**	**80,740**	**80,740**	-	-	54,466	54,466
Total	**$ 1,830**	**$ 454,534**	**$ 148,993**	**$ 605,357**	$ 2,070	$ 596,333	$ 89,258	$ 687,661

Note: Receivables and accounts payable and other liabilities are all short-term in nature and as such their carrying value approximates fair value.

During the year, there were no significant transfers between levels.

During the year ended December 31, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

(in thousands)	2022			2021		
	Real estate	**Infrastructure**	**Total**	Real estate	Infrastructure	Total
Beginning balance, January 1	**$ 34,792**	**$ 54,466**	**$ 89,258**	$ 34,199	$ 39,838	$ 74,037
Purchases	**30,000**	**12,615**	**42,615**	-	15,493	15,493
Sales	**-**	**-**	**-**	(4,000)	(5,215)	(9,215)
Return of capital	**-**	**(2,933)**	**(2,933)**	-	(1,985)	(1,985)
Realized gains	**-**	**23**	**23**	2,395	701	3,096
Change in unrealized gains (losses)	**3,461**	**16,569**	**20,030**	2,198	5,634	7,832
Ending balance, December 31	**$ 68,253**	**$ 80,740**	**$148,993**	$ 34,792	$ 54,466	$ 89,258

6. FINANCIAL RISK MANAGEMENT

(a) Market risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. The value of these securities is affected by market changes and fluctuations. The Plan manages market risk by diversifying its investments in both domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments.

Interest rate risk

Interest rate risk refers to the adverse impact that interest rate changes have on the Plan's investment returns and financial position. On the investment side, when interest rates fall the fair value of bonds rise, while the yields on new investments in bonds fall.

As at December 31, 2022, had prevailing interest rates increased or decreased by 1.0%, assuming a parallel shift in the yield curve and all other variables held constant, the fair value of the Plan's bond holdings would have decreased or increased (respectively) by approximately 7.1%, or $10,650 thousand (2021 – 8.1%, or $19,822 thousand). The bond holdings' sensitivity to interest rate fluctuations was estimated using the weighted average duration of the bond holdings. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Foreign currency risk

Foreign currency exposure arises from the Plan holding assets denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value of the Plan's net assets.

At December 31, the Plan's foreign currency exposure expressed in equivalent Canadian dollars is as follows:

(in thousands)	**2022**		2021	
	Fair value	**% of Plan assets**	Fair value	% of Plan assets
Global equity	**$ 279,089**	**46.1**	$ 303,601	44.0
Infrastructure	**80,305**	**13.3**	54,227	7.9
Core plus bonds	**1,187**	**0.2**	2,427	0.4
Total foreign currency exposure	**$ 360,581**	**59.6**	$ 360,255	52.3

At December 31, the foreign currency exposure in the Plan, in Canadian dollars, can be further broken down as follows:

(in thousands)	**2022**	2021
	Foreign Exposure	Foreign Exposure
United States dollar	**$ 225,699**	$ 187,622
Euro	**42,734**	34,931
British pound sterling	**21,314**	20,178
Japanese yen	**13,362**	33,885
Australian dollar	**11,979**	6,874
Swiss franc	**8,297**	23,557
Other	**37,196**	53,208
Total	**$ 360,581**	$ 360,255

As at December 31, assuming the Canadian dollar appreciated or depreciated by 10% compared to the following foreign currencies, the fair value of the Plan's net assets would have decreased or increased (respectively) by the following amounts (assuming all other variables held constant):

(in thousands)	Change in value of Canadian dollar	**2022**		2021	
United States dollar	+/- 10%	**+/-**	**$ 22,570**	+/-	$ 18,762
Euro	+/- 10%	**+/-**	**4,273**	+/-	3,493
British pound sterling	+/- 10%	**+/-**	**2,131**	+/-	2,018
Japanese yen	+/- 10%	**+/-**	**1,336**	+/-	3,389
Australian dollar	+/- 10%	**+/-**	**1,198**	+/-	687
Swiss franc	+/- 10%	**+/-**	**830**	+/-	2,356
Other	+/- 10%	**+/-**	**3,720**	+/-	5,321
Total fair value impact		**+/-**	**$ 36,058**	+/-	$ 36,026

Equity price risk

The Plan is exposed to changes in equity prices in Canadian and global markets. Equities comprise 50% (2021 – 52%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

Had equity values at December 31, increased or decreased (respectively) by 10% assuming all other variables held constant, the total fair value impact on equities would have been a $30,432 thousand increase or decrease (2021 - $35,282 thousand increase or decrease). Due to active management, the Plan's portfolio does not correlate directly to any market indices.

Real estate and infrastructure price risk

Risk in the real estate portfolio is managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size. Risk in the infrastructure portfolio is also managed through diversification across types and locations.

(b) Credit risk

Credit risk arises from the potential for a debtor or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by diversifying its fixed income investment portfolio and dealing with counterparties that are considered to be high quality. The credit ratings used to describe these securities are based on the DBRS Morningstar or other recognized credit rating agencies.

The maximum credit risk to which the Plan is exposed at December 31, is limited to the carrying value of the financial assets summarized as follows:

(in thousands)	**2022**	2021
	Carrying value	Carrying value
Bonds	**$ 150,216**	$ 243,516
Cash	**1,830**	2,070
Receivables	**41**	3,060
Total credit risk	**$ 152,087**	$ 248,646

Credit risk for bonds and short-term investments is managed through the investment policy that limits the majority of debt instruments to those of high credit quality (minimum rating for short-term investments is R1) along with limits to the maximum notional amount of exposure with respect to any one issuer. Phillips, Hager & North Investment Management manages the Plan's core plus pooled fund which allows a portion of the pooled fund to invest in unrated debt instruments. Credit exposure and counterparty ratings in the pooled fund are monitored daily.

Phillips, Hager & North Investment Management invests primarily in bonds that are investment grade (minimum credit rating of BBB) as rated by a recognized rating agency which reflects a high likelihood of repayment, (83.8% of the pooled fund at December 31, 2022). Phillips, Hager & North Investment Management's investment policy for the Core Plus Bond Fund specifies: 25% as the maximum that is to be invested in BB+ and below (non-investment grade) credit quality; 5% as the maximum that is to be invested in CCC+ and below credit quality and 5% is

the maximum that is to be invested in unrated credit quality. At December 31, the debt rating on the Plan's bonds is as follows:

(in thousands)	2022		2021	
Debt rating	**Fair value**	**% of bond portfolio**	Fair value	% of bond portfolio
AA or higher	**$ 72,419**	**48.2**	$ 149,007	61.2
A	**27,730**	**18.5**	39,912	16.4
BBB	**25,687**	**17.1**	29,295	12.0
BB & Below	**8,818**	**5.9**	14,441	5.9
Unrated	**1,592**	**1.1**	4,042	1.7
Other	**13,970**	**9.3**	6,819	2.8
Total bonds	**$ 150,216**	**100.0**	$ 243,516	100.0

Receivables are primarily made up of accrued investment income and investment disposal proceeds. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually. Proceeds of investment disposals are generally received within two days.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial commitments as they become due or can do so only at excessive cost. The Plan manages liquidity risk by maintaining adequate cash and liquid investments (bonds and equities) and monitoring actual and forecasted cash flows to support the Plan's operating needs.

Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Plan's primary sources of liquidity are funds generated from investments. The Plan primarily invests in securities that are traded in active markets and can be readily sold. Real estate and infrastructure investments are also subject to liquidity risk, which is mitigated by managing the overall amount invested in those asset classes and by limiting the amount invested in any one real estate property or pooled fund.

7. PENSION OBLIGATIONS

The present value of pension obligations is determined using the projected benefit actuarial cost method prorated on services and reflects management's best estimates of inflation, future pension indexing and mortality. The valuation for accounting purposes was prepared as at September 30, 2019 by Eckler Ltd. and extrapolated to December 31, 2022. The effective date of the next valuation for accounting purposes will be September 30, 2022.

The actuarial assumptions used in determining the value of pension obligations may change from year to year depending on current and long-term market conditions. The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The following is a summary of the actuarial assumptions:

	2022	2021
Discount rate, beginning of year	**2.85%**	2.30%
Discount rate, end of the year	**5.05%**	2.85%
Long-term inflation rate	**2.00%**	2.00%
Assumptions for benefit increases (% of Saskatchewan CPI)	**70.00%**	70.00%

The salary increase assumption is no longer necessary as all active members at the valuation date are assumed to retire immediately given their age and service levels.

The discount rate was based on the Fiera curve for high-quality Canadian corporate bonds as at December 31, 2022 with cash flows that resemble those of the expected benefit payments.

The mortality assumption used the 2014 Private Sector Mortality Table (CPM2014Priv) with 95% scaling factor for male mortality rates, 110% scaling factor for female mortality rates and two-dimensional generational mortality improvements using Improvement Scale B (CPM-B).

The actuarial present value of pension obligations is deducted from the net assets available for benefits to calculate the actuarial deficit for accounting purposes.

The following illustrates the sensitivity of some of the major assumptions used in preparing the December 31, 2022, actuarial extrapolation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would not change the deficit.

Discount rate: An increase in the discount rate of 1.00% (from 5.05% to 6.05%) would decrease liabilities, reducing the Plan deficit by $57 million.

Inflation: An inflation rate assumption that is 1.00% lower than the assumed rate (from 2.00% to 1.00%) would increase the deficit by $22 million. A lower inflation rate assumption reduces both the discount rate and future pension obligation increases.

Mortality: A change in the mortality assumption so that each member is one year older (closer to mortality at the valuation date) would decrease liabilities, reducing the plan deficit by $21 million.

8. RELATED PARTY TRANSACTIONS

(a) Administration

As indicated in *Note* 9, certain administration costs are paid by the Corporation.

(b) Investments

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

(in thousands)	**2022**		2021	
	Investment fair value	**Investment income**	Investment fair value	Investment income
Province of Saskatchewan bonds	**$ 1,029**	**$ 40**	$ 3,189	$ 87

9. ADMINISTRATIVE EXPENSES

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit and actuarial fees as well as general administration costs. In 2022, the Corporation paid $252

thousand (2021 – $284 thousand) for costs relating to the Plan. These figures do not include salaries paid to employees of the Corporation who serve as staff advisors or administrators of the Plan and are not included in the table below:

(in thousands)		**2022**		2021
Investment manager fees	**$**	**3,491**	$	2,724
Custodian fees		**50**		166
Consulting fees		**78**		126
Board member training and development		**16**		5
Total administrative expenses	**$**	**3,635**	$	3,021

10. CAPITAL MANAGEMENT

The Plan's capital is invested in a number of asset classes including bonds, mortgages, equities, real estate and infrastructure. The Plan's target asset mix is disclosed in Note 4. The Plan periodically receives new capital from contributions that are required by the Corporation's Funding Policy (refer to *Note 1b*). The Plan also receives investment income and market value increases on its invested capital.

The Board's objective for managing its capital is outlined in the Plan's Statement of Investment Policies and Procedures (SIP&P). The SIP&P communicates a philosophy of diversification and protection of capital to investment managers with an objective of optimizing the Plan's risk/return relationship. The risk policies, procedures and objectives have not changed materially from the prior year. To achieve acceptable levels of diversification and risk control, the SIP&P sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration.

The Board delegates the operational investment decisions to a number of investment managers through different investment mandates as defined in the SIP&P.

GLOSSARY

Active Plan member
Plan member making (or deemed to be making) regular contributions to the Plan, including those on an approved leave of absence (with or without pay), those receiving benefits from a short-term illness and injury plan or approved long-term disability plan, and those who are no longer required to contribute.

Actuarial assumptions
Estimates of future events that will affect a plan's obligation for future employee's benefits. Examples of these estimates are: discount rate, inflation, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial valuation
Prepared by an actuary to determine the financial status of the Plan. It considers the value of Plan assets and determines whether the contribution rates are adequate.

Actuary
Professional trained in technical aspects of pensions.

Asset allocation
The dividing of assets among different categories such as equities, bonds and international investments.

Bridge benefits
A temporary pension to supplement the regular lifetime pension. Payable from the early retirement age to the end of the month in which the member turns 65.

Bonds
Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Consumer price index (CPI)
The consumer price index measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. The pension is indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Counterparty
An individual or organization with whom one transacts business.

Custodian
Holds assets for safekeeping for the Plan, may collect income and dividends and do simple reporting on assets. The custodian does not have fiduciary responsibility.

Deferred pension
A pension payable at a later date, either because the Plan member terminates employment before the earliest date at which the pension may begin, or because the Plan member chooses to have the pension commence at a later date. For example, a Plan member may choose to defer a pension in order to later receive an unreduced pension.

Defined benefit plan
Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Equities
Common stock or ownership in a company.

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 in the principal or most advantageous market at the measurement date.

Funding
The systematic depositing of current service contributions and special payments into the pension fund.

Governance
The decision-making structures and supporting policies and procedures that enable an organization to achieve its pension objectives and discharge its pension obligations to its legal owners and others.

Index
Method of measuring the investment manager's performance through benchmarks of similar assets.

Investment advisor
Provides analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks.

Investment manager
Devises and implements an investment strategy within mandates.

Median
The middle of a distribution: half the scores are above the median and half are below the median.

Money market
A market for short term debt instruments.

Notional value
Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Plan
Power Corporation Superannuation Plan.

Plan sponsor
Employer sponsoring the pension plan.

Pooled funds
Group of individual securities managed by an investment manager.

Securities
Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

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