



## SUSTAINABLE INVESTMENT POLICY

UPDATED: December 2022

Approved by:

*(signed)*

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*Vincent Morin, President & Secretary*

*December 21<sup>st</sup>, 2022*

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*Date*

*(signed)*

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*Kenny Tang, Chief Compliance Officer & ESG Leader*

*December 21<sup>st</sup>, 2022*

\_\_\_\_\_  
*Date*

Overall Oversight: Sustainable Investing Committee

Responsible for Review: Chief Compliance Officer & ESG Leader

Effective Date: June 1, 2021, v.1

## 1. Introduction

This Sustainable Investment Policy of Trans-Canada Capital Inc. (**TCC**) encapsulates the framework under which environmental, social and governance (**ESG**) factors are incorporated in TCC's investment decision making process and our investment ownership practices.

The TCC Sustainable Investing Committee (**SIC**) oversees all matters relating to the development and implementation of TCC's sustainable investing practices. Key activities of the SIC are:

- Develop and update the Sustainable Investment Policy for review and comment by the Executive Committee (**ExCom**) and approval by the President.
- Identify and evaluate evolving best practices with respect to sustainable investing.
- Advise and oversee the implementation of sustainable investing practices with measurable metrics.
- Provide input to the ExCom on identification, assessment and management of risks associated with sustainability, and make recommendations on any ESG investment-related matters.
- Develop sustainable investing reporting to share with the various internal and external stakeholders.
- As a signatory to the United Nations Principles for Responsible Investment (**UN PRI**) since 2021, oversee alignment of this Policy with the six principles of responsible investment.
- Encourage TCC employees' learning and development by facilitating the appropriate training for staff to educate them about sustainable practices.
- Consider any other ESG related matters.

## 2. Our Objectives

TCC's objectives for integrating ESG factors into its investment processes aim to:

- Ensure the funds, managers, and assets in which we invest respect and benefit our clients, while considering the society and the environment.
- Enhance long term investment returns and protect value for our clients.
- Ensure TCC continues to align with industry's best ESG practices.

### 3. Our Beliefs

- We believe that effective management of environmental and social factors as well as good corporate governance have a potential positive influence over the long-term performance of our funds while managing risk and capitalizing on opportunities.
- We believe that sustainable investing increases our chances to attain our objectives and those of our clients.
- We believe in incorporating ESG practices in our investment processes.
- We believe in an active ownership approach.
- We believe in disclosure of information that is relevant to the analysis of material ESG factors.
- We believe in collaborating with other organizations on ESG and sustainable initiatives.

### 4. Implementation

#### ESG and Sustainability by Asset Class

When integrating ESG into our investment activities, we have opted for a tailored approach according to each of our asset classes, respective investment strategies and various financial instruments in order to ensure effectiveness and suitability. Implementation of our approach to sustainable investing and monitoring of our ESG goals lies with each investment team.

This Policy applies to all the asset classes, industries and countries in which the firm invests and shall be implemented as follows:

#### i) Internally managed assets

For assets managed by TCC, our investment team practices various levels of ESG integration on relevant investments. Investment decisions are enhanced by considering ESG issues that could have a material impact on investment performance. ESG factors are analyzed first when evaluating a new investment and are continuously monitored by the investment team. We combine our in-house ESG capabilities with external resources to supplement our research and analysis efforts. For clients that have a segregated account (and corollary investment management agreement granting a different investment strategy), the client's investment management agreement and its own ESG policies will prevail.

#### ii) External Investment Managers

We integrate our core ESG principles across our various investment processes and by way of ongoing monitoring of external managers and underlying funds. In our externally managed assets, we implement ESG analysis through our investment selection process and favor, whenever possible, managers that have demonstrated a stronger commitment to responsible investments. To make such determination:

- TCC undertakes an initial ESG due diligence assessment based on the UNPRI. We require each manager to fill out TCC's ESG due diligence questionnaire in order to assess the strength of their approach to ESG integration. Through our robust due diligence framework, we can better identify and understand ESG related risks and then engage with these managers to improve their ESG related policies and practices. A summary of our ESG analysis is then included in the investment memos presented to the Investment Committee for approval. Furthermore, TCC formalizes its ESG expectations with external managers within side letters or by way of other commitments.
- We are committed to incorporating ESG factors into our portfolio decision making process, our investment analysis and active ownership practices consistent with the UNPRI's investment manager reporting framework to evaluate every investment opportunity and assess how underlying General Partners (**GPs**) integrate ESG considerations into their investment process.
- On a periodic basis, we conduct a review of our underlying manager's Investment Policies, including a review of their Responsible Investment Policy, active ownership, Proxy Voting and Stewardship Policies, Diversity and Inclusion Policy and examples of how they apply these policies.
- We monitor ESG developments at the portfolio level through an annual survey sent to GPs to evaluate the progress of each fund/investment over time.

## 5. Active Ownership

We understand that financial and extra-financial factors are key elements to be considered in our voting decisions and we will generally exercise our voting rights to protect shareholders' value and maximize investments returns. Likewise, we also acknowledge the importance of integrating ESG factors in the proxy voting process as they can have a material effect on long-term financial performance. Therefore, high standards of corporate governance, as well as social and environmental initiatives are promoted in TCC's Sustainability Proxy Voting Policy and Guidelines. In all cases, our intention is to vote proxies in a manner consistent with the best interests of our clients. The proxy voting process is under the responsibility of the Chief Compliance Officer and ESG Leader.

In the cases where the assets are invested by external investment managers, we delegate to them the authority to vote on our behalf, and to the extent possible, require the managers to be guided by our Sustainability Proxy Voting Policy and Guidelines.

## 6. Engagement

We believe that engagement with portfolio companies and external managers is an effective means that can reduce investment and ESG risks and enhance long term returns.

We engage with Corporate Bonds issuers and our External Managers through discussions and correspondences with management and investment teams, and advisory board representation, as applicable.

Collaborative engagement with other investors can also be an effective way to achieve our objectives. The investor groups that the TCC belongs to include the United Nations Principles for Responsible Investment (UNPRI), the Carbon Disclosure Project (CDP), the Responsible Investment Association (RIA) and the Canadian Bond Investors Association (CBIA).

## **7. Climate Change**

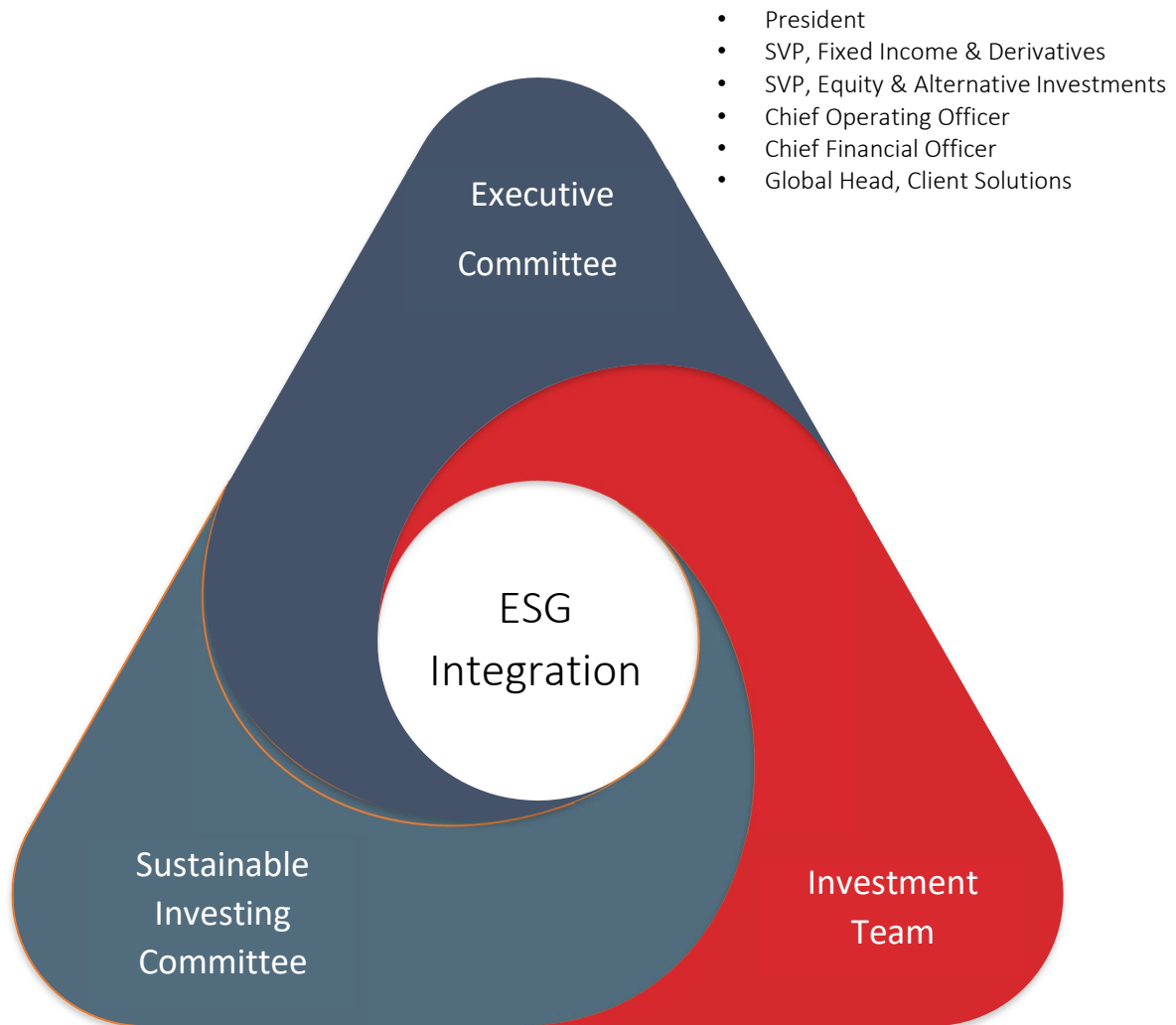
We believe that climate change presents a financial risk to the global economy and agree to use the framework recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (**TCFD**). As supporter of TCFD, we also encourage our external investment managers to implement the TCFD recommendations.

## **8. Policy Review**

This policy will be monitored by the SIC and reviewed annually, or as may otherwise be determined by TCC.

**APPENDIX**

**Our Sustainable Investment Governance Structure**



- Chief Compliance Officer & ESG Leader
- Senior Portfolio Manager, Corporate Credit
- Senior Director, Human Resources
- Director, Alternative Investments
- Associate, Client Solutions
- Director, Asset Allocation & Portfolio Construction