



## SUSTAINABLE INVESTMENT POLICY

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Approved by:

(signed)  
Vincent Morin, President

September 3<sup>rd</sup>, 2024  
Date

(signed)  
Kenny Tang, Chief Compliance Officer & ESG leader

September 3<sup>rd</sup>, 2024  
Date

Overall Oversight: Sustainable Investing Committee

Responsible for Review: Chief Compliance Officer & ESG Leader

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## 1. Background and objectives

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.

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 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.

## 2. Governance

Oversight and accountability for sustainable investment activities rests with TCC's Executive Committee (« **ExCom** »), which ensures that these initiatives are aligned with the firm's business objectives.

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.
- Alignment of this policy with the United Nations Principles for Responsible Investment (« **UNPRI** »);
- Encourage TCC employees' learning and development by facilitating the appropriate training for staff to educate them about sustainable practices.
- Consider any other sustainable investment-related matters.

The SIC has no decision-making power over investments. However, the Investment Committee (« **IC** ») can veto decisions based on ESG considerations.

### 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. Sustainable Investment approaches

#### ESG factors 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.

#### 4.1 Internally managed assets

##### a) Corporate bonds

The investment process begins by excluding from our investment universe all issuers considered to violate our exclusion factors based on the nature of the activities carried out. Information on ESG issues is then used for pre-investment analysis of investee companies, integrating an ESG score into the fundamental analysis of the security, and using specific ESG factors to guide security selection decisions and/or portfolio construction. Analysts covering this asset class also make sure to cover material ESG controversies or issues during their calls, meetings and/or issuer presentations.

##### b) Provincial bonds

Our approach to considering ESG factors in this asset class begins with the annual assessment of the provinces according to our internal ESG rating model. This classification serves as a framework for analyzing and monitoring several metrics that can have an impact on the conduct of meetings with issuers.

c) Sovereign bonds

TCC does not yet consider ESG information in its investment decisions in government securities.

d) Listed equity

TCC does not generally actively manage publicly traded stocks. The primary passive equity replication strategy replicates an index and/or is composed of shares from an IPO of our private placement positions. It represents a very small portion of our total assets, so we do not yet take ESG information into account when deciding on this asset class.

e) Hedge fund

TCC does not yet consider ESG information in its investment decisions in hedge fund.

The sustainable investing approaches mentioned above do not apply to synthetic positions, exchange-traded funds, and index products. For all other financial products we may transact that are not mentioned above, including but not limited to non-index equity products, currencies, and commodities, TCC does not consider ESG factors in its investment decisions.

## 4.2 External portfolio managers

TCC entrusts certain of its investment activities to external managers, including the following asset classes: private debt, private placement, infrastructure, real estate, publicly traded equities and hedge funds. In our externally managed assets, we consider the level of ESG integration of every firm in our investment selection process. To take this into account in our decision:

**4.2.1** 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.

**4.2.2** 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.

**4.2.3** We are committed to consider 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 assess how underlying General Partners (GPs) integrate ESG considerations into their investment process.

**4.2.4** 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.

**4.2.5** 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. Monitoring

At Trans-Canada Capital (TCC), we understand that particular ESG topics are important to investors and may carry financial risk. This is why we accord heightened sensitivity before and during our investment process., in accordance with the sustainable investment approaches described in Section 4.

### 5.1 Monitoring of the principles of the United Nations Global Compact

To ensure globally responsible practices, TCC analyses portfolio holdings to validate compliance with the UN Global Compact principles according to our data provider's research. The UN Global Compact comprises ten principles that are grounded in international legislation and shared norms and values. These principles serve as a useful tool for investors to differentiate between companies that comply with global norms and values and those that do not. The ten Global Compact Principles are:

#### Human rights

Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 : Make sure that they are not complicit in human rights abuses.

#### Labor

Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 : The elimination of all forms of forced and compulsory labour;

Principle 5 : The effective abolition of child labour; and

Principle 6 : The elimination of discrimination in respect of employment and occupation.

#### Environment

Principle 7 : Businesses should support a precautionary approach to environmental challenges.

Principle 8 : Undertake initiatives to promote greater environmental responsibility; and

Principle 9 : Encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

Principle 10 : Businesses should work against corruption in all its forms, including extortion and bribery.

### 5.2 Sensitive ESG topics

ESG issues that are deemed sensitive are given particular attention in our investment process, especially for assets managed internally. For corporate bonds, we monitor potential controversies on these topics, and include indicators in our internal ESG score, enabling us to obtain a sub-score on these issues and thus

compare issuers' practices. We use our data provider for these practices, so monitoring of these issues is restricted to issuers covered by it.

### Climate change

We believe that climate change poses a financial threat to both the world and our clients. We acknowledge that the fossil fuel industry contributes significantly to greenhouse gas emissions, but we also recognize the importance of funding energy companies that are committed to developing transition projects. Therefore, we thoroughly assess the transition plans of all fossil fuel companies.

### Biodiversity

TCC recognizes that economic activities are both dependent on biodiversity and responsible for its degradation. We expect companies that are affected by biodiversity loss to report on how they handle the associated risks and impacts effectively.

### Human rights

TCC recognizes the need for and importance of minimum respect for human rights in the operations of companies across the value chain. We expect companies that are exposed to human rights issues to disclose how they are mitigating these risks, both in their own operations and with their suppliers.

### Indigenous Peoples

TCC recognizes that we need to achieve economic balance and equality for Indigenous Peoples. As part of this recognition, we are committed to act in accordance with the United Nations Declaration on the Rights of Indigenous Peoples, to encourage our partners to do likewise, and to monitor the practices of our portfolio companies in this area, when possible.

## **6. Active ownership**

### **6.1 Proxy voting**

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 Guideline.

## **6.2 Commitment**

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 correspondence with management and investment teams, and advisory board representation, as applicable.

## **6.3 Collaborative engagement**

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. Conflicts of interest**

TCC has several requirements in place to address conflicts of interest, such as personal dealings, restrictions on representatives, business opportunities, political activities, and intellectual property. These are addressed in the firm's compliance manual.

## **8. Accountability and communication**

TCC presents its sustainable investment initiatives and their results through the following activities and documents:

- An annual presentation submitted to the Executive Committee on the various activities carried out during the year;
- A detailed report made annually to the UNPRI;
- A section dedicated to ESG in the quarterly performance reports presented to clients for some of its funds, specifically highlighting carbon intensity.

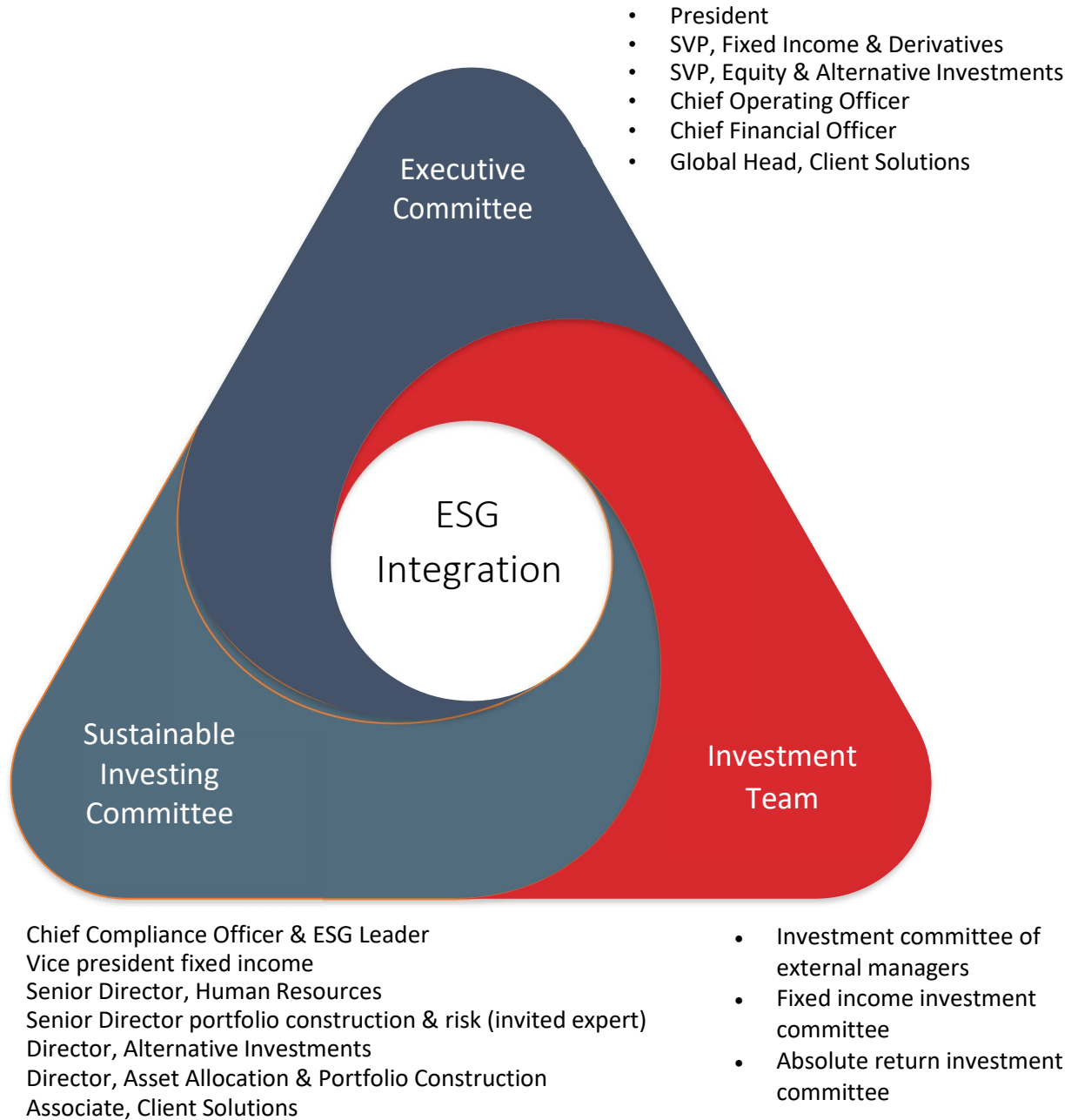
## **9. Policy review**

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



## 10. APPENDIX

### Our Sustainable Investment Governance Structure



## GOVERNANCE IN SUSTAINABLE INVESTING

	<i>SUSTAINABILITY</i>	<i>INVESTMENTS</i>
<b>PALIER STRATEGIQUE</b> Approbation finale	<b>EXECUTIVE COMMITTEE</b> Compliance of sustainable initiatives with performance objectives	<b>INVESTMENT COMMITTEE (IC)</b> All investments & divestments
<b>TACTICAL LEVEL</b> Decision-Making Framework Responsibility	<b>SUSTAINABLE INVESTMENT COMMITTEE (SIC)</b> Evaluation of best practices, recommendations of sustainable initiatives to the Executive Committee	<b>EXTERNAL MANAGERS INVESTMENT COMMITTEE, FIXED INCOME INVESTMENT COMMITTEE, ABSOLUTE RETURN INVESTMENT COMMITTEE (EMIC, FIIC, ARIC)</b> Evaluation of best practices, investment recommendations
<b>OPERATIONAL LEVEL</b> Implementation	<b>ENVIRONMENT, SOCIAL, GOVERNANCE (ESG) TEAM</b> Support of investment teams through tools, advice, and integration of best sustainable investment practices	<b>INVESTMENT TEAMS</b> Integration of sustainable investment principles into portfolios