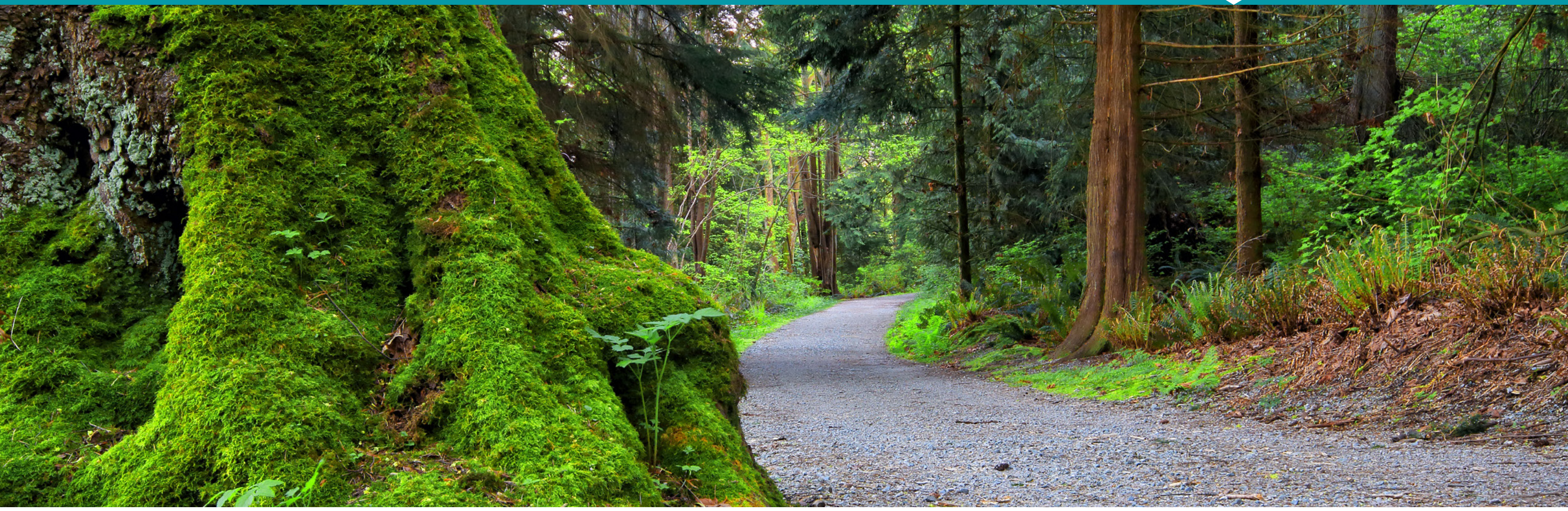
CC&L'S APPROACH TO RESPONSIBLE INVESTING

2021



"We operate in a business that is in a constant state of change. In order to meet our clients' needs, it is imperative that we embrace change and evolve our practices. In Responsible Investing (RI), as with every aspect of our investment processes, we believe in continuous improvement. Our teams continue to evaluate ways to improve our investment processes, stewardship activities and client communication as best practices evolve and data improves. We are proud of the progress we have made and are committed to advancing our own RI activities as well as being a positive influence for change in our industry."

— Martin Gerber, President & CIO, CC&L Investment Management

We are pleased to report that over the past 12 months improvements were made in each of our five Responsible Investing (RI) pillars: research, investment process integration, engagements, collaborative initiatives, and proxy voting.

Within our own governance framework, we are broadening the oversight responsibility of our Investment Risk Management Committee to include ESG factors and carbon emissions for all client portfolios. In support of this, we are developing a risk framework to report to the Investment Risk Management Committee on these exposures. The first report is expected to be produced this month.

We hope you find this report insightful and, as always, we would be pleased to discuss any questions or comments you may have.

CC&L'S RESPONSIBLE INVESTING (RI) APPROACH

RESEARCH

Our ability to incorporate ESG factors in the evaluation of investments is continually evolving as company disclosures and data availability are steadily improving. We are committed to undertaking regular research projects in order to find ways to improve the integration of these factors into our investment portfolios.

CC&L's Quantitative Equity team conducted a review of third-party carbon data and measurement methodologies for in-house research and carbon measurement. As a result of this review, the team will be incorporating global MSCI carbon emissions data into our risk management framework for all quantitative portfolios later in 2021.

Carbon emission data is less robust for debt issuers and as a result, a consistent approach to carbon emission measurement for fixed income securities has yet to emerge. The CC&L Fixed Income team is currently researching the MSCI carbon dataset to determine if there is potential to use this data as part of their investment process.

INTEGRATE

We believe that understanding and managing the potential impact of ESG themes through our investment approach is preferable to divesting or screening out companies from our investment universe.

In 2020, CC&L's Fundamental Equity and Fixed Income teams worked with our Stewardship & Engagement team to create an ESG questionnaire to augment the company-specific research and engagements conducted by our portfolio managers. The questionnaire was rolled out on a larger scale in 2021. Please see **Exhibit 1** for more details.

We believe that companies with sound business practices are more likely to outperform over time. The fundamental research that our teams' undertake is not static and is updated to reflect changes to each organization's business practices over time. Please see **Exhibit 2** for an example of the importance of appropriate corporate governance in our analysis of Real Estate Investment Trusts (REITs).

It is important to note that our ESG analysis is focused on uncovering material ESG risks and we adjust our return expectations accordingly. In many cases, our research uncovers ESG attributes that represent a positive opportunity or that showcase an organization's transition to sustainability. Please see **Exhibit 3** for an example from our Fixed Income team.

EXHIBIT 1

ASKING THE RIGHT QUESTIONS

In 2020, portfolio managers from our the Fundamental Equity (FE) team, in collaboration with the Fixed Income (FI) and the Stewardship & Engagement (S&E) teams, developed an ESG Questionnaire that was sent to a subset of companies within their investment universe. The questionnaire is designed to support our FE and FI team investment analysts in the integration of ESG factors into our investment processes and to help focus the S&E team's engagement activities. The questionnaire requests information regarding issuers participation in ESG-related organizations, alignment with the TCFD, disclosure of company CO_2 emissions, diversity and inclusion programs, board remuneration and more.

As a result of the success of this trial initiative, in 2021, the questionnaire was rolled out to over 160 companies held in our fundamental equity portfolios and we received a 68% response rate. The following provides a summary of the key findings:

- 35% of issuers align their corporate disclosures with the TCFD recommendations;
- 55% of issuers are members of UN PRI, UN Global Compact, the Institutional Investors Group on Climate Change or another ESG-related organization;
- 83% publish an external ESG, CSR, or sustainability report; and
- 74% of issuers disclose their CO2 emissions.

CC&L is committed to engaging with issuers on ESG-related topics. As part of this commitment, we will continue to evolve the questionnaire in response to emerging trends and changing regulatory requirements.

PROTECTING SHAREHOLDER INTEREST IN THE REIT SECTOR

EXHIBIT 2

One of our core ESG beliefs is that the misalignment of management incentives with shareholders' interest erodes shareholder value. There are many examples in the real estate investment trust (REIT) sector where the CEO of a REIT is also involved with a third-party property manager hired to manage the day-to-day operations of owning real estate. The REIT will pay fees for services such as finding tenants, servicing tenants and general building maintenance. When the REIT and 'external management' company are related, it can create incentives to buy more real estate which increases revenue to the management company. Often these acquisitions do not add to shareholder value.

This structure is relatively common in the REIT sector therefore, governance analysis is critical and ongoing. Each building acquisition is scrutinized by our Fundamental Equity team to ensure our interests as shareholders, are protected. We lower the valuation multiple on companies where governance is not well aligned and management has made poor capital allocation decisions and, on the other side, we increase the target multiple when the REIT has a great track record of acting in the best interests of shareholders.

INTEGRATING TRANSITION RISK IN OUR FIXED INCOME INVESTMENT PROCESS

EXHIBIT 3

About a decade ago, an Alberta-based independent power producer embarked on a meaningful path to transition its business from coal by 2023. In our view this is a significant feat, given that the company generated two-thirds of its earnings by way of coal just seven years ago and this goal comes six years earlier than the original target. The company has also made longer-term commitments to ESG and climate change with a goal of becoming net carbon neutral by 2050.

This company is clearly a stand-out versus its peers for its above average disclosure and transparency with respect to its carbon reduction plan. It is also important that leadership is being held accountable to delivering on its ESG goals with 25% of executive compensation based on ESG performance. For these reasons, in our analysis of this company's bonds, we have deemed their transition risk to be immaterial in the context of our forecast horizon, and in turn, have not embedded any material credit risk into our spread forecast.

ENGAGE

CC&L engages with the management teams of companies to support our research efforts and exercise influence as an asset owner.

CC&L's Fundamental Equity and Fixed Income teams continue to engage with company management teams on ESG matters on a regular basis as part of our fundamental research processes. We highlight below some engagements that took place since our last RI Update:

- In May 2021, CC&L engaged with Air Canada to discuss our ESG questionnaire and the company's progress towards their goal of net-zero greenhouse gas emissions throughout its global operations by 2050. CC&L voiced our support for the company's level of ESG-related disclosure and commended the company for utilizing a third party service provider to verify their Scope 1 & 2 emissions. We also communicated our support for issuer alignment with TCFD and we were pleased to hear of the company's plan to align disclosure with the recommendations in the coming year.

- In March 2021, CC&L engaged with two members of the Board of Directors of TD Bank. We shared feedback on the company's alignment of their disclosures with the TCFD recommendations. CC&L also provided feedback on the integration of climate scenario analysis within their Enterprise Stress Testing process. CC&L voiced our support for the Canadian Investor Statement on Diversity & Inclusion. The call addressed the company's robust diversity disclosure, particularly their efforts to report data regarding directors that identify as a visible minority.

- In March 2021, CC&L participated in a call with CIBC's Board Chair and chairs of their Corporate Governance and Audit committees. The call discussed the board of directors ESG-related priorities and outlook regarding their corporate governance practices. The new Chair of the Board, highlighted CIBC's gender diversity and visible minority membership on their board of directors. CIBC shared their perspective on potential risks for the bank and highlighted their inclusion of environmental risk in their enterprise stress test.

- In December 2020, CC&L participated in CN Rail's Sustainability Materiality survey, where we shared our views on the most important ESG metrics for CN Rail. We also communicated our support for reporting based on the recommendations of the TCFD and asked the company to address how they plan to satisfy public access to rivers, lakes, and the ocean on corridors where service has been suspended but the corridors have not been abandoned. We were specifically interested in their plans to satisfy public access while still maintaining safety.

COLLABORATE

CC&L participates in collaborative engagements and initiatives sponsored by other institutional investors, industry associations, and advocacy groups. These collaborations allow CC&L to pool resources and speak with a stronger unified voice to protect the interests of shareholders.

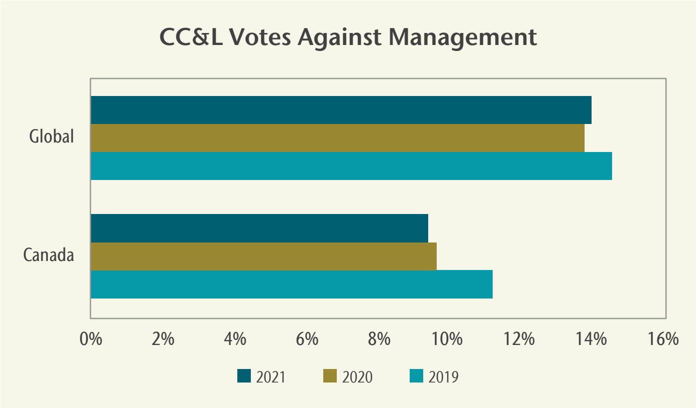
We created a centralized Stewardship & Engagement (S&E) team in 2019 to coordinate our engagement activities across the organization and to become more focused in our collaborative efforts. Examples of some of our participation in recent industry initiatives are summarized below:

- In July 2021, CC&L endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Established by the Financial Stability Board, the TCFD provides market participants with recommendations to address the financial impact of climate change on their business. By increasing transparency on financially material climate-related risks and opportunities, the recommendations promote more informed financial decision-making by investors, lenders and others. As official supporters of the TCFD, CC&L will publish our own TCFD-aligned disclosures and will continue to advocate for further adoption of the recommendations in our engagements with issuers. Please click here to view CC&L's Climate-Related Disclosure report.
- Also in July 2021, CC&L became a founding member of Climate Engagement Canada (CEC), a Canadian-led collaborative engagement platform to drive broader, more consistent dialogue between finance and industry on climate risks and opportunities. Together with other like-minded investors the initiative will bring a unified voice to companies about the need for accelerated climate action and smooth, just transition to a low carbon economy.
- In June 2021, as members of the Canadian Coalition for Good Governance (CCGG), CC&L supported a submission sent to the US Securities & Exchange Commission (SEC) in response to the SEC's request for public input on the topic of climate change disclosure. In this letter, the CCGG advocated for increased disclosure, provided support for the TCFD as an appropriate framework for climate-related financial disclosures and indicated support to establish an International Sustainability Standards Board as a global standard setter to achieve consistency and global comparability in sustainability reporting.
- In September 2020, CC&L signed on to the Responsible Investment Association's Canadian Investor Statement on Diversity & Inclusion. The statement acknowledges the existence of systemic racism and its impact on Black and Indigenous communities and People of Colour in Canada and globally, and asks Canadian public companies to endeavor to increase transparency, adopt policies and expand and disclose organizational efforts to address barriers to diversity and inclusion.

VOTE

The central tenet of CC&L's proxy voting policy is that good corporate governance enhances long-term shareholder value. We have a customized proxy voting policy that reflects our views on best practices for corporate governance and guides all of our voting decisions.

Through our proxy voting, we continue to reflect our views on key ESG topics. CC&L voted against management in approximately 14% of the over 67,000 proxy votes we participated in globally. In Canada, we voted against management in 380 of the 4060 votes we participated in, with over 80% of these related to poorly aligned executive compensation, over-boarding and independence of directors, insiders who sit on key committees, and lack of female board representation.



There has been a noticeable increase in female board representation, which has resulted in fewer votes against management based on our bespoke proxy voting policy (we vote against the chair of the nomination committee when a board has no female directors). Please see **Exhibit 4** for further details.

ADVOCATING FOR GENDER DIVERSIFICATION

In Canada, the number of times our bespoke proxy voting policy led us to vote against management due to lack of female board representation decreased noticeably since 2019. This downward trend is indicative of improvement in board gender diversity in the Canadian market, most likely as a result of increasing investor pressure. However, there is still room for more improvement in both gender diversity as well as with respect to overall diversity characteristics of boards. We look forward to more robust data on the make up of boards to better inform our proxy voting.

Improving Board Gender Diversity leads to Less Votes against Management

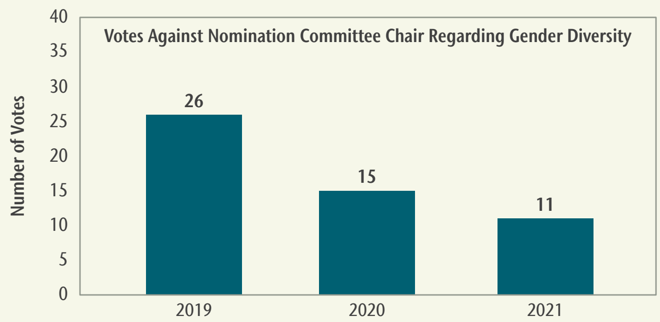


EXHIBIT 4

In the last year, we supported several shareholder proposals that aligned with our own RI beliefs. For example, in May 2021:

- CC&L supported multiple shareholder proposals at ExxonMobil. Notably, dissident shareholder Engine No. 1 put forward four director nominees with experience in clean energy and energy transitions. In addition, a proposal filed by BNP Paribas Asset Management calling for Exxon to report on how their direct and indirect lobbying aligns with the Paris Climate Agreement goals received majority support.

- CC&L supported two shareholder proposals for Chevron Corporation to address various environmental concerns. The first proposal called for Chevron to reduce the greenhouse gas (GHG) emissions of their energy products (Scope 3) in the medium and long-term future. The second proposal called for Chevron to report on the potential financial impacts of the Net Zero 2050 scenario.

- CC&L supported two shareholder proposals at Berkshire Hathaway Inc. The first proposal, asked the company to publish a report on physical and transition risks and opportunities. CC&L felt that the additional disclosure regarding how Berkshire Hathaway is managing systemic risks posed by climate change and the transition to a low carbon economy would benefit shareholders. The second proposal requested that the company publish annual reports assessing their diversity and inclusion efforts.

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