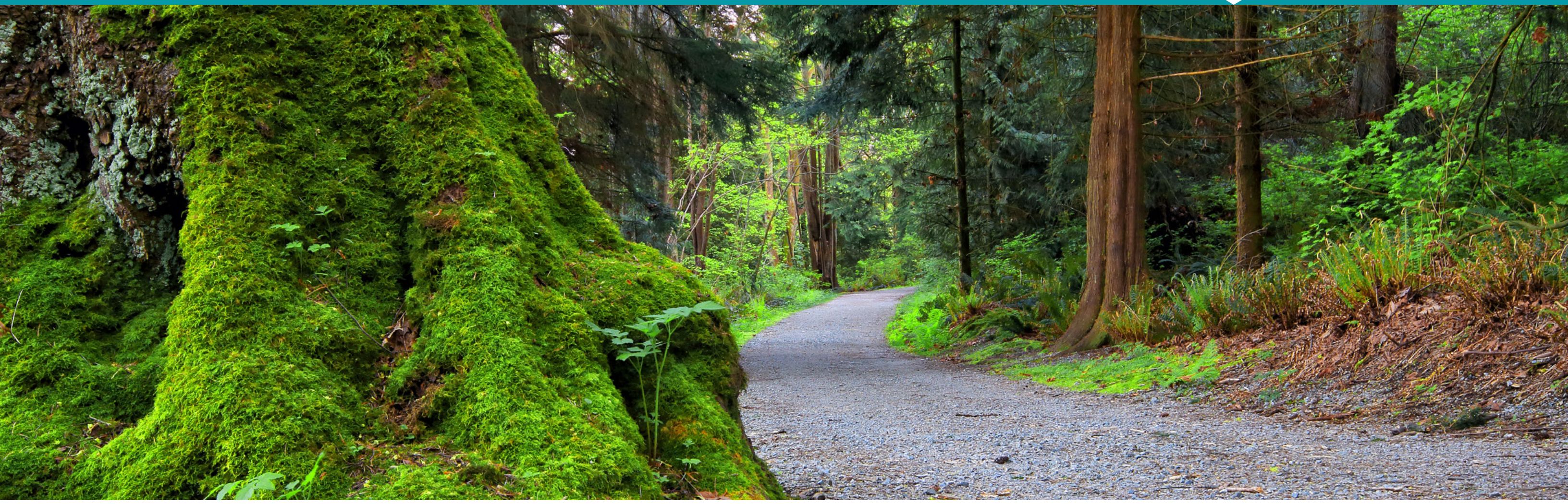
CC&L RESPONSIBLE INVESTING UPDATE

2020



> **"Our industry has made important strides in improving responsible investing (RI) practices, however RI is continuing to evolve. At CC&L, our focus on learning and continuous improvement encompasses all we do. I am proud of the progress we have made in all aspects of RI and I am excited by our plans for new research, enhancements and ongoing initiatives."**
>
> — Martin Gerber, President & CIO, CC&L Investment Management

We have much to share with you in our second annual *Responsible Investing Update*. Over the past year, we have worked diligently on several Responsible Investing (RI) initiatives, including the following:

- We engaged an independent consulting firm to educate our Board, ESG Committee, portfolio managers and analysts on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations;
- Our Quantitative Equity team integrated Environmental, Social & Governance (ESG) factors into our quantitative equity strategies effective July 2020;
- Our company website (www.cclinvest.com) was updated to provide greater transparency into our RI activities; and
- Recognizing climate change as a secular trend:
  - » Our Fundamental Equity team integrated carbon exposure as an input into their target price assessment for select industries;
  - » The CC&L ESG Committee is assessing the carbon reporting capabilities of several vendors; and
  - » The CC&L Quantitative Equity team is conducting a review of third-party carbon data for in-house research and carbon measurement.

Please continue reading for more details on our RI activities in 2020.

CC&L'S RESPONSIBLE INVESTING (RI) APPROACH

MEASURING OUR RI PROGRESS

As a result of the improvements in our integration processes and focused efforts on active ownership, we have scored at or above median in all categories we participate in under the UN PRI reporting framework. We are excited to continue this trend when we report on our integration of ESG factors into our quantitative strategies next year.

SUMMARY SCOREBOARD

AUM	Module Name	Your Score	Your Score / Median Score
	01. Strategy & Governance	A	A
Direct & Active Ownership Modules			
>50%	10. Listed Equity - Incorporation	A	A
>50%	11. Listed Equity - Active Ownership	A	B
10-50%	12. Fixed Income - SSA	A	B
<10%	13. Fixed Income - Corporate Financial	A	B
<10%	14. Fixed Income - Corporate Non-Financial	A	B

*The CC&L Score Card provided above is based on the UN PRI scoring methodology. The PRI reporting framework is based on responses provided by CC&L for the preceding calendar year, which are captured in our PRI Transparency Report. Our PRI Transparency Reports are available on our website. Our 2020 PRI Assessment Report is available on request.

Research

The Quantitative Equity team completed a research project to assess ESG data coverage and quality, concluding that both coverage and quality had improved since our last review in 2015. A further project re-evaluated the potential benefit of integrating this data into CC&L's investment process. The data review was completed in 2018 and the evaluation of the impact on our model was completed in late 2019. The results from this project indicated a modest improvement in the predictive power of ESG data in risk forecasting. The Quantitative Equity team is starting a project to evaluate third-party carbon data for in-house research and carbon measurement.

Integrate

We are very pleased to report that effective July 2020, MSCI ESG data is integrated into the investment process for all quantitative equity strategies. The team incorporated E, S, and G rankings as systematic risk factors, as well as predictors of stock-specific risk.

One theme that has been front and center in our portfolio management is the recognition of climate change as a secular trend. To that end, our Fundamental Equity team has integrated this theme into their target prices by assigning traditional energy companies lower valuation multiples and renewable energy companies higher valuation multiples. The team also factors in carbon emission reduction targets for oil sands producers into their analysis. As the landscape changes, the team is evaluating ways to refine how they incorporate carbon-related information, and other ESG factors into the investment process, as well as how to better engage with companies on these issues.

Engage and Collaborate

In 2019, we created a Stewardship & Engagement (S&E) team to help coordinate our engagement activities. The team has put in place a system for tracking our engagements and monitoring outcomes that may require follow up activity. Furthermore, we endorsed the Canadian Coalition for Good Governance (CCGG) Stewardship Principles, which correspond with our own views regarding the importance of a robust process around these undertakings.

Another important function of the S&E team is to help coordinate participation in collaborative initiatives that are aligned with CC&L's values. To that end, in January 2020, CC&L signed a UN Principles for Responsible Investment (PRI)-sponsored letter to the United States Securities and Exchange Commission (SEC) voicing opposition to the proposed rule changes on shareholder proposals and proxy advisers. These changes, if adopted, would have significant negative international impacts, essentially hampering shareholders' ability to have their voices heard and threaten the independence of proxy voting advice. Our opposition to this rule was shared by the CCGG, of which we are an active member.

Unfortunately, despite opposition, this rule was approved in July 2020 and will go into effect 60 days after publication in the Federal Register. We are investigating the downstream implications and reviewing the SEC's supplemental guidance for asset managers. Despite our lack of success in this particular instance, we remain committed to advocating for the integrity of capital markets and will continue to oppose any similar rule changes proposed in other jurisdictions.

Vote

Through proxy voting, we continue to reflect our views on key ESG topics. While many of the votes are related to governance themes that are important to us, such as board independence, insiders on key committees, gender diversity, tenure and overboarding, we also vote on important shareholder proposals. Two examples from May 2020 are provided below:

- CC&L voted in favour of a shareholder proposal asking a large American multi-national energy company to report on how their direct and indirect lobbying aligns with the Paris Climate Agreement goals. This proposal was filed by BNP Paribas Asset Management and was named one of the key resolutions of 2020 by Climate Action 100+. CC&L supported this proposal because we agreed that shareholders would benefit from greater transparency on how the company's lobbying efforts align with the Paris Agreement. The proposal passed with 53% of investors voting in favour.
- CC&L supported two shareholder proposals of one of Canada's largest insurance and wealth management companies. The first proposal called for analysis of the company's climate risk to be included in their annual report and the second for the adoption of measured environmental impact reduction objectives with targets set out in their Sustainable Development Policy. We believed that the proposals would better align disclosure with the company's peers and enhance shareholders' access to information to meet their responsible investment obligations, while not being overly prescriptive. Both shareholder proposals were approved receiving 77% and 61% support, respectively. In the company's statement following the meeting, they voiced their commitment to improve disclosure and report their targets next year.

REFLECTING THE IMPACT OF COVID-19 IN OUR ESG ANALYSIS

We are often asked how the "S" in ESG gets reflected in our ESG integration work. The connection between an employer and its workforce and the communities in which it operates can lead to goodwill and value creation or, in some cases, reputational risk and loss of revenue. The impact of COVID-19, while widespread, has a disproportionate impact on lower-income workers who also tend to make up a majority of front line workers. Large grocers and retailers were lauded for adding pandemic-pay for their front-line employees at the outset of the pandemic. Some companies are now considering cutting these extra wages despite the perceived risk of contracting COVID-19 remaining high. The CC&L Fixed Income team recently reviewed their spread forecasts for essential service providers and reflected this potential reputational risk in their analysis.