



Industrial Alliance Investment Management Inc.

Responsible Investment Policy

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1. Introduction

a. Purpose

Industrial Alliance Investment Management Inc. (“iAIM” or “Corporation”) is the primary portfolio and asset manager of iA Financial Corporation Inc. (“iA Financial Corporation”) and some specific subsidiaries (“iA Financial Group”). iAIM provides portfolio management services for insurer general funds, investing clients’ mutual funds and segregated funds and external institutional clients (collectively “Clients”), including the selection and oversight of external portfolio managers. iAIM’s responsible investment (“RI”) strategy is aligned with the organization’s purpose which is to enable Clients to be confident and secure about their future.

Through (1) its belief, supported by research and evidence, that RI supports both value creation and risk management; and (2) its duty to be an Active Owner who considers stakeholder interests and investment impacts, iAIM seeks to embed responsible investment practices throughout its investment management activities. iAIM believes this commitment reflects its duty and is in the best interests of its Clients, shareholders, employees and other stakeholders.

iAIM recognizes that environmental, social and governance (“ESG”) factors can materially impact investment risk, return and reputation. The purpose of this Responsible Investment Policy (“Policy”) is to outline iAIM’s beliefs, commitments, and approach to responsible investment. This Policy provides a framework and guidance to incorporate ESG considerations in investment management and stewardship activities in a consistent and comprehensive manner.

iAIM acknowledges that RI practices are constantly evolving. As a result, iAIM expects its approach to responsible investment will evolve over time as research, evidence and industry practice evolve. Its goal is to act with purpose, to continuously improve, and to be transparent in its approach.

iAIM is committed to continuously improving its reporting to promote transparency and open dialogue with its Clients. iAIM welcomes feedback and encourage comment on this Policy via esg@ia.ca

b. Scope

This Policy applies across all iAIM managed portfolios and covers all investment activities although iAIM’s level of influence and method of engagement within the portfolios will vary.

While the focus of this Policy is on ESG integration in its investment activities, iAIM also seeks to address ESG factors and best practices in its own management and operations.

Application of this Policy and integration of responsible investment considerations must be consistent with all other policies and legal obligations applicable to investment decisions. As a result, iAIM will not make these decisions exclusively on ethical or moral grounds.

c. Definitions

“Active Ownership/Owner” refers to a key tool for investors to influence a culture of sustainability among investee entities and external managers and promote, fair, efficient and transparent market practices.

“Chief Investment Officer (CIO)” refers to iAIM’s President and Chief Investment Officer

“Engagement”: refers to interactions between the investor and current or potential investee entities (which may be companies, governments, municipalities, etc.) on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.

“Environmental, Social, Governance (ESG)”: refers to environmental, social, and governance factors that may impact or be impacted by corporate or investment activities, where:

Environmental factors relate to the quality and functioning of the natural environment and natural system. How does the investee entity interact with its environment?

- climate change and greenhouse gas (GHG) emissions
- renewable energy sources
- natural resource management and use
- air and water pollution
- water quality and availability
- waste management
- ecosystem protection

Social factors relate to the rights, well-being and interests of people and communities (e.g., employees, customers, broader society). How does the investee entity interact with its employees, customers and communities?

- working conditions
- equity, diversity, and inclusion
- employee health and safety
- community relations
- consumer protection
- human capital development
- political stability

Governance factors relate to the policies and procedures used to direct, control, and monitor companies and other investee entities. How does the investee entity govern itself?

- board structure and independence
- directors' expertise
- succession planning
- executive compensation and link to ESG performance
- shareholder and stakeholder rights
- corporate oversight and risk management
- data privacy and cybersecurity
- conflicts of interest
- bribery and corruption

“Materiality”: Our investment teams focus on those ESG factors that have the potential to impact the value of the investment. The extent of these impacts depends on the issuer, the industries and geographies in which it operates and the nature of the investment vehicle for which it is purchased. For sustainability to translate into financial performance, it must have an impact on either the amount of cash flow generated by the company, or the cost of external financing to the company (the weighted average cost of capital).

“Proxy Voting”: refers to voting on management and/or shareholder resolutions as well as filing shareholder resolutions.

“Responsible Investment (RI)”: refers to the integration of ESG considerations into investment management processes and stewardship practices, focused on those factors that could have an impact on financial performance as well as stewardship practices that address environment, social and financial systems.

“Stewardship”: refers to investors' use of influence to mitigate risk or derive long-term value, including the value of common economic, social, and environmental assets on which returns, and Clients' interests, depend (also referred to as “Active Ownership”). Engagement and Proxy Voting are elements of Stewardship.

2. COMMITMENTS

iAIM became a signatory to the United Nations-supported Principles for Responsible Investment in 2019 and is committed to the following six voluntary and aspirational investment principles:

- Incorporate ESG issues into investment analysis and decision-making process;
- Be an Active Owner and incorporate ESG issues into its ownership policies and practices;
- Seek appropriate disclosure on ESG issues by the entities in which it invests;
- Promote acceptance and implementation of the principles within the investment industry;
- Work together to enhance its effectiveness in implementing the principles;
- Report on its activities and progress towards implementing the principles.

iAIM commits to integrating these principles into its investment process to benefit all its Clients.

3. GUIDING PRINCIPLES

iAIM's investment activities are guided by the following principles, all of which are subject to and support iAIM's duty to its Clients:

a. Strong Corporate Governance

iAIM supports and encourages good corporate governance practices at its investee entities. Companies that follow well-accepted principles of good governance tend to have better risk-adjusted returns and improved alignment between corporate, investor and broader stakeholder interests.

b. Environmental Stewardship

iAIM supports and encourages measures taken by its investee entities to protect the environment. iAIM expects them to ensure compliance with environmental regulations, and in regions where there are no regulations or regulations are not enforced, to strive for generally accepted best practices. iAIM aims to reduce the environmental footprint of its investments with respect to climate change, energy, water, waste management, transportation and indoor and outdoor environments.

c. People and Communities

iAIM supports and encourages equitable practices relating to employees, communities and other stakeholders including respect for the fundamental human rights enshrined in internationally accepted norms and standards as well as fair wages, benefits and working conditions.

d. Transparency and Disclosure

iAIM supports and encourages transparency and disclosure of relevant and material ESG information to enable investors to fully assess and manage ESG risks and opportunities.

4. CORPORATION'S APPROACH

a. ESG Integration

iAIM's portfolios are managed either by internal teams or by external managers, and application of this Policy varies in each arrangement.

When assets are managed internally, iAIM portfolio managers and analysts are expected to adhere to the guiding principles in this Policy and the integration of ESG considerations in the investment process, in particular. iAIM will regularly assess the application of this Policy across its investment portfolios.

When assets are managed by an external manager, we review their Responsible Investment policy and practices as part of the selection process and on a regular, ongoing basis (more details are provided in "Section 6. External Managers")

b. Exclusions

iAIM favours active engagement over exclusion or divestment as a first course of action in order to influence corporate behaviours and will use constructive dialogue and clear guidance as primary tools to effect change.

iAIM will consider exclusions where:

- Investment would contravene international treaties;
- There is a significant ESG breach and engagement activities by iAIM or broader industry that are unsuccessful.

Any exclusions must be recommended by the Chief Investment Officer and approved by iA Financial Corporation's CEO. Currently, iAIM does not invest directly in public or private companies that are considered to be manufacturers of cluster munitions and anti-personnel landmines.

iAIM is committed to encouraging companies and other investment managers to adopt policies and practices that enhance long-term corporate financial performance.

5. STEWARDSHIP

a. Engagement

iAIM prefers an approach that incorporates diligent Stewardship and influences positive change by having a "voice at the table".

In iAIM's view, both Engagement and Proxy Voting are effective mechanisms to mitigate risk, increase returns and advance investment value. iAIM portfolio managers and analysts have opportunities to communicate directly with the management of the investee entities to discuss ESG issues and concerns.

iAIM's portfolio managers and analysts engage more specifically with companies on ESG-related issues when such elements have been identified as potentially material to an investment. In general, the goal of the Engagement program is to communicate its views as an investor. Engagement allows iAIM to better understand its investee entities, their governance structures and their approach to ESG issues, which generally allows iAIM to make better informed investment decisions. Where engagement is not proving to be successful, the matter will be escalated, potentially in conjunction with other investors. Should these escalation strategies still not be successful, then the ultimate sanction is divestment and exclusion.

b. Proxy Voting

iAIM believes that good governance practices support stronger long-term performance and enhance shareholder value creation. iAIM actively exercises the shareholder voting rights on behalf of its Clients, as Proxy Voting is a key component of active ownership with publicly listed investee entities. Shares are actively voted according to iAIM's Proxy Voting Guidelines, which outline expectations for:

- the composition of boards of directors
- executive compensation
- shareholder rights
- disclosure of material social and environment information

iAIM may use one or more external Proxy Voting advisory firms to provide research and to assist with share voting. iAIM works closely with the voting firm(s) and monitor the vote record to ensure compliance with the guidelines.

6. EXTERNAL MANAGERS

Some of iAIM portfolios are managed by external managers. When selecting new external managers, iAIM evaluates their responsible investment practices, including their ESG policy, commitments, approach, resourcing, stewardship activities, performance measurement and reporting. iAIM seeks to integrate responsible investment requirements, such as reporting on ESG activities into new agreements. External managers are also encouraged to adopt Proxy Voting policies that integrate ESG factors and to continuously improve their responsible investment practices.

iAIM assesses the external managers' commitments to responsible investment on a regular basis by reviewing and evaluating their business organization, investment processes and portfolio composition. More specifically, iAIM engages with them at least annually to request updates on changes in their responsible investment policy, ESG integration approach, stewardship activities and other ESG related issues. In addition, iAIM engages with them directly when any significant ESG incidents or other concerns arise.

iAIM recognizes that different external managers have made different levels of progress in incorporating responsible investment practices. iAIM is committed to supporting external managers through regular engagement and will encourage them to enhance their responsible investment practices, including ESG analysis, reporting and stewardship activities.

7. CLIMATE CHANGE

iA Financial Corporation's Sustainable Development Policy applies to all iA Financial Group activities and can be found [here](#). iAIM believes that the approach to addressing climate change should be grounded in science.

iAIM recognizes that climate change will continue to present risks and opportunities for investment portfolios. As asset managers, investors, and stewards of its Clients' assets, iAIM is committed to fully integrating climate change in the investment process.

iAIM supports the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), which was established by the Financial Stability Board to address systemic risk to the global financial system posed by climate change and to promote more informed investment, credit, and insurance underwriting decisions. TCFD recommendations are being applied by companies and investors globally to help integrate climate considerations into investment management and iAIM encourages all investee entities in its portfolios to provide disclosure on climate-related risk that is aligned with the TCFD recommendations.

8. DIVERSITY, EQUITY AND INCLUSION

iAIM seeks to promote a diverse, equitable and inclusive environment and practices within its own operations as well as among its investee entities and external managers. iAIM will support

and participate in industry initiatives that promote diverse and inclusive representations at all levels as a means towards effective decision-making, innovation and long-term investment performance.

iAIM will actively engage, including through Proxy Voting, with its investee entities and external managers as it relates to diversity and inclusion in their internal policies, talent strategies and training. Looking forward, iAIM commits to continually enhancing its tracking and disclosure of diversity data within iAIM and its portfolios.

9. REPORTING AND DISCLOSURE

iAIM's mission is supported by a commitment to the values of transparency and accountability. To that end, iAIM will provide its Clients with information on its RI approach and activities on a regular basis. iAIM aims to promote responsible investment by publicly reporting on an annual basis its responsible investment activities and results achieved. The reporting will include, but will not be limited to, proxy voting and other stewardship activities.

In addition, iAIM intends to contribute to increasing the awareness of responsible investment with both its investee entities and Clients.

10. GOVERNANCE, ROLES & RESPONSIBILITIES

a. iAIM

The Board of Directors of iAIM is responsible for approving this Policy following the approval of iA Financial Corporation's CEO.

iAIM is responsible to monitor and report regularly and directly to its Clients, including to the Investment Committee of iA Financial Corporation.

b. Chief Investment Officer

The Chief Investment Officer is responsible for communicating the Policy to all iAIM employees, operationalizing this Policy, and ensuring that its Clients, including iA Financial Corporation, receives the required reporting on the responsible investment program.

All iAIM portfolio managers and analysts are expected to adhere to the guiding principles in this Policy in all investment decisions. To this end, iAIM intends to contribute to the training of investment staff on responsible investment.

c. iAIM Responsible Investment Committee

The Responsible Investment Committee is a standing committee and is responsible for ensuring that iAIM meets responsible investment objectives by planning, implementing, monitoring and coordinating ESG initiatives, both internally and externally. The Responsible Investment Committee, which includes one member representing each asset class, reports directly to the management executive members of iAIM. The Responsible Investment Committee will also report to iA Financial Corporation's CEO on relevant responsible investment matters on an ongoing basis, and on compliance to this Policy at least annually.

The management executive members of iAIM ensure coordination of iAIM's activities with iA Financial Corporation's Sustainability Steering Committee.