

# COUNSEL | PORTFOLIO SERVICES

## Sustainable Investment Policy

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### 1. Background and Purpose of the Policy

Counsel Portfolio Services Inc. (“Counsel”), provides comprehensive portfolio solutions utilizing the strength and expertise of both independent and affiliated external investment managers (“sub-advisors”). Counsel, through its parent company, Investment Planning Counsel, Inc., is a member of the IGM Financial Inc. group of companies.

The purpose of this Sustainable Investment Policy (the “Policy”) is to formalize how we implement sustainable investing principles, together with our sub-advisors and service providers, for investment mandates managed by Counsel. Our approach to sustainable investment is centered on integrating environmental, social and governance (“ESG”) criteria into the investment analysis and decision-making process, and active ownership through engagement and proxy voting.

Fundamental to this Policy is our responsibility to act in the best interests of the investment funds (“Funds”). The role of our sub-advisors is to exercise professional judgment on which financial and ESG factors will be drivers of long-term performance and risk on investments in our Funds. Our role is to review sub-advisor ESG policies and processes, and promote the inclusion of ESG factors into their investment policies and processes where these are not employed today.

Our sustainable investment approach demonstrates alignment between our investment activities and broader social and environmental objectives of society.

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### 2. Sustainable Investment Principles

We believe that sustainable investment is best embodied by the following guiding principles. Where consistent with the best interests of our Funds, we will work internally and through our sub-advisors to:

1. Incorporate ESG issues into investment analysis & decision making processes;
  2. Be active owners and incorporate ESG into our ownership policies & practices;
  3. Seek appropriate disclosure on ESG issues by the entities in which our Funds invest;
  4. Promote acceptance of sustainable investment practices within the industry and with our sub-advisors;
  5. Work together to enhance our effectiveness in implementing sustainable investment principles; and
  6. Encourage transparency from our sub-advisors and service provider(s) on activities and progress towards implementing sustainable investment principles.
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### 3. Scope

This Policy applies to all Funds managed by Counsel.

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### 4. Definitions

**Sustainable Investment** is defined as an approach to investing that incorporates environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.<sup>1</sup> Examples of ESG factors are numerous and ever-changing.

**Environmental factors** refer to issues impacting the natural environment, including but not limited to climate change, greenhouse gas emissions, resource depletion and water scarcity, waste and pollution, biodiversity and deforestation.

**Social factors** refer to issues affecting people including but not limited to human rights, working conditions including slavery and child labour, human capital management, diversity and inclusion, health and safety, conflict zones and local communities.

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<sup>1</sup> Source: Principles for Responsible Investment (PRI) definition of responsible investment: <https://www.unpri.org/about/what-is-responsible-investment>

**Governance factors** refer to issues regarding how companies are ‘governed’ including but not limited to board composition and skills, executive remuneration, bribery and corruption, board diversity, tax, and audit practices.

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## **5. Integrating ESG criteria into the investment analysis and decision making process**

Our investment due diligence processes seek out sub-advisors whose investment processes require them to exercise professional judgment regarding material drivers of value. We recognize that a broad range of financial and ESG factors may be relevant in making investment decisions on behalf of our Funds.

We recognize the relative importance of ESG factors varies across industries, geography and time. We encourage our sub-advisors to identify, monitor and manage ESG risks and opportunities that are, or could become material to long-term performance.

At Counsel, we evaluate the ESG integration practices for new sub-advisors, and in the regular due diligence process for existing sub-advisors. We promote the inclusion of ESG factors into their investment policies and processes where these are not employed today.

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## **6. Active Ownership Through Engagement and Proxy Voting**

Active ownership, including engagement with company management and proxy voting are important value added practices within the investment processes employed in our Funds. We encourage our sub-advisors to actively work on influencing the ESG behaviour of companies owned in our Funds, and also take an active role at Counsel.

### **Engagement**

We believe in the value of engaging in an active dialogue to influence a company’s approach on ESG factors that are material and relevant for each specific circumstance. The objective of ESG-focused engagement is to understand a company’s position on material ESG issues, the actions it has taken to date, and any additional actions to be taken (or not taken). Engagement can be both proactive and reactive, as appropriate.

In addition to engagements undertaken by our sub-advisors, we work with a service provider to actively work to influence the ESG behavior of companies owned in our Funds. Communication with specific companies is managed on our behalf by the service provider, whose analysts monitor the ESG policies and practices of the companies we invest in. If a company falls short on our ESG standards, concern is voiced to the company's management. Management will also be engaged if a company is at risk of ESG issues developing, or if greater disclosure of ESG matters is required. We evaluate the engagement practices of our service provider as part of our on-going due diligence process.

Regardless of sound ESG processes, there will be situations where ESG issues come to our attention by internal or external means.

### **Exclusion**

Counsel may instruct sub-advisors to prohibit the purchase of certain securities for ESG purposes. Such a prohibition is at Counsel's discretion based upon a desire to avoid companies that are subject to controversy or are in industries that are viewed negatively because they contribute to health or climate risks and they pose a reputational risk and could be viewed as inconsistent with Counsel's commitment to responsible management. Securities designated for exclusion will be based upon the recommendations of the third-party service provider within the ESG framework outlined above or due to a specific Counsel prohibition such as a ban on companies producing cluster munitions (currently in place).

Counsel will inform sub-advisors of any such prohibitions. Where a fund already holds a prohibited security, the sub-advisor will be afforded a cure period during which it may sell the holding.

If a sub-advisor purchases or fails to sell, within the cure period, a prohibited holding, the action will fall under the Trading Error policy.

### **Proxy Voting**

Proxy voting is an important component of active ownership. Consistent with our responsibility, we vote proxies in the best interests of the Funds. We use a leading firm in the ESG field to execute votes on our behalf. This enables us to combine our votes with those of like-minded shareholders to exert greater influence over resolutions

involving environmental, social or governance issues. In certain cases where sub-advisors vote proxies on behalf of our Funds, we ensure their ESG proxy voting standards are similar to ours.

A summary of our Proxy Voting Policy is included in the Annual Information Form for our Funds and a full copy is available upon request. Our proxy voting record is disclosed on our website under each Fund.

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## **7. Collaborative Action**

Counsel believes in the value of collaborative engagement to leverage internal resources and encourage transparency and improved ESG performance of the companies in which our funds invest. Our engagement service provider represents a group of investors who collaborate to exercise greater influence over companies' ESG progress.

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## **8. Governance**

The Policy is approved by Counsel's Fund Oversight Committee of the Board. Counsel's Chief Investment Officer oversees sustainable investment policies and processes, including implementation of this policy including management of the prohibited securities list.

Changes to classes of prohibited securities will be subject and, if necessary, the approval of the Investment Committee.

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## **9. Policy Review**

This Policy will be reviewed at least every two years, or more frequently as required.

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## **10. Reporting**

Counsel will report annually to the Board of Directors on its sustainable investment activities.