RESPONSIBLE INVESTMENT POLICY

December 2019
This policy outlines the key principles that underlie PCJ Investment Counsel’s commitment to incorporating Environmental, Social and Governance (ESG) considerations into its investment process, and the framework and resources in place to implement this.

The policy has been drafted in discussion with PCJ’s investment team and its Board of Directors. We consider this policy to be an integral part of PCJ’s investment philosophy, and it applies to all of the equity strategies we manage for our clients. The policy is regarded as a living document, and is reviewed at least annually. We welcome any feedback from our clients.

I. PCJ’s Responsible Investment Guidelines

When it comes to responsible investing, our investment philosophy is guided by, but not limited to, the following principles:

- Central to PCJ’s fiduciary responsibility is our commitment to seek the best risk adjusted return for our clients, without undue risk of loss.
- We believe that environmental, social, and governance issues can affect the performance of individual companies as well as whole sectors, and that responsible corporate behavior with respect to ESG factors should have a positive influence on long-term financial performance. In our view, when good governance drives a firm’s culture through its Board of Directors and management team, all stakeholders benefit.
- We believe that good governance is a pre-requisite for environmental and social responsibility.
- As an investment manager, we are committed to encouraging companies to adopt policies and practices that enhance long-term financial performance.
- Investment analysis should incorporate ESG factors to the extent that they affect risk and return. By ensuring financially material ESG factors are captured through the investment process, our policy on responsible investing aligns with our duty to seek best performance for our clients.
- PCJ is committed to supporting and upholding conventions that seek to ban the production of controversial weapons.

As a part of our commitment, PCJ is a signatory of the United Nations Principles for Responsible Investment (UNPRI). Where consistent with our fiduciary responsibilities, we commit to the following six UNPRI principles:

1. We will incorporate ESG issues into investment analysis and decision-making process.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance & implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will report on our activities and progress towards implementing the Principles.
II. **ESG considerations in our investment strategy**

As stated in our responsible investment principles above, we believe that responsible corporate behavior with respect to ESG factors should have a positive influence on long-term financial performance. Within our investment process, decisions are ultimately made as a team. Each member of the team incorporates the same investment philosophy when evaluating a company, and environmental, social and governance considerations are a part of the due diligence process, which are monitored on an ongoing basis when these are a part of our investment portfolios.

These considerations are often qualitative in nature, and the factors taken into account can vary considerably from sector to sector. The investment team maintains target share prices for the companies in our investment universe, and a poor performance on ESG might warrant a discount to the earnings multiple used to determine this target price, while industry leadership on ESG might warrant a premium.

Investments will incorporate potential impacts from ESG through analysis of the company and an understanding of corporate philosophy through management interviews.

In order to quantify these considerations, PCJ has recently added a new metric to the ESG evaluation of Canadian companies, as described in our Scoring Methodology section. We do not use screens for ESG factors, or eliminate investments based on only ESG considerations, rather we engage with management to better understand their philosophy and attempt to influence positive change.

III. **PCJ ESG scoring methodology**

Taking into account the ESG factors listed below, PCJ portfolio managers have begun assigning a rating in each of the E, S, and G categories on the companies in their Canadian coverage universe, and will have this rolled out in its entirety. This rating is based on data collected from the company website, annual reports, analyst research, and meetings with company management. In each category, the company will receive a score ranging from 1-5, compared to its industry peers:

5) ESG leadership
4) Excels versus peers
3) Meets expectations
2) Subpar versus peers
1) Deficient

The total score a company can achieve is 15, where a high ESG score implies low ESG risk. Scores in individual categories under 3 will warrant a review, and will often result in a follow-up with management. The internal score and the specific area(s) of improvement will be shared with management in our regular company engagement. The scores are amalgamated centrally along with the companies’ price targets, and reviewed regularly. The ESG scores will be refreshed or reconfirmed as price targets get updated by either analyst or portfolio managers.

Some of the ESG factors that the investment team considers:

1. **Environmental:**
   - Climate change risk
   - Carbon emissions disclosure & steps taken to reduce impact
• Pollution & waste management
• Water availability
• Deforestation

*Philosophy on commodities* – PCJ recognizes that companies in the resources sectors come with a carbon footprint, and those companies will unlikely be able to score on equal footing with, for example, a service business. PCJ’s objective is to favor best in class relative to other commodity names, and avoid negligence when it comes to environmental considerations. Our first recourse is to address environmental considerations with company management, and sustained poor action might lead to divestment.

2. **Social:**
   • Working conditions, ethics
   • Health and safety
   • Stakeholder relations
   • Community Engagement

3. **Governance:**
   • Board (and Management) having an explicit ESG policy
   • Board accessibility, shareholder engagement, transparent communication
   • Board diversity & reputation
   • Fiscal responsibility (balance sheet conservatism, prudent capital allocation, cash management)
   • Separation of Chairperson/CEO
   • Insider interest alignment with shareholders (e.g. insider buying/selling)
   • Executive compensation
   • Shareholder rights
   • Board representation

**IV. Active ownership & engagement**

Transparency - In order to make informed investment decisions, we believe that proper disclosure and transparency is paramount to be able to assess ESG risks and opportunities of the companies we invest in. As such, we encourage companies to allocate resources to provide disclosure on their ESG efforts, and support the adoption of sustainability financial reporting standards such as the Sustainable Accounting Standards Board (SASB) standards, and the recommendations provided by the Task Force on Climate-related Financial Disclosures (TCFD).

Direct engagement – Central to PCJ’s investment process is to fundamentally understand a company and its management. As a part of that, PCJ has a responsibility to understand any risks and/or opportunities that may arise in their business, and what the company’s position is to address these issues. A poor reaction to addressing material ESG issues may be a red flag that will cause the investment team to disregard a company from inclusion in the investment portfolio. More often than not, PCJ prefers to seek out an active dialogue with company senior management or its board to
better understand their stance on an issue, and taking that as an opportunity be a vocal shareholder and drive meaningful improvements in the company’s governance.

Proxy voting - We vote proxies on behalf of our clients according to our proxy voting policy for all investments in the portfolio, through which we exercise our influence as a shareholder. Based on the investment team’s own proprietary research, in combination with the additional research provided by ISS, PCJ exercises its voting privilege in accordance with its Proxy Voting Policy. In cases where PCJ votes against management, we proactively reach out to management in advance of the vote to ask for their comments on our reason(s) to vote against them. Our voting policy is an extension of our fiduciary duty, and as such is an extension of our Responsible Investing Policy. Much like this Responsible Investment Policy, the Proxy Voting Policy is a living document, updated to reflect an evolving ESG landscape, resources, and considerations of the investment team.

Collaborative engagement - Engaging collaboratively with other institutional investors leverages internal resources and expertise, encouraging improved transparency and performance on ESG factors. PCJ is both a member of the Canadian Coalition for Good Governance, and engages in joint shareholder initiatives through the Carbon Disclosure Project (CDP). One of these collaborative engagements through the CDP is its annual Non-Disclosure Campaign, targeting companies to improve their disclosure on ESG themes, including Climate Change, Forests, and Water Security.

Industry dialogue – PCJ is committed to being an active participant in industry conferences on ESG research, ESG advocacy, and active share ownership, to maintain a current knowledge on trends in socially responsible investing initiatives. We also recognize that ESG resources are driven by investor demand, and believe that active participation in the public debate stimulates the furthering of ESG considerations by both investors and listed companies.

V. External Resources

Each of PCJ’s investment professionals conduct their own fundamental research on the companies under their coverage, including assessing potential risks and opportunities in the areas of ESG. In addition to analyzing companies’ financial statements, the PCJ team uses Bloomberg’s data aggregation and analysis capabilities. Bloomberg offers its own proprietary ESG analysis capabilities, which the team has access to in conducting their investment research.

Internal research is generally compared to and supplemented by external research from analysts at financial institutions that PCJ engages in business with, as well as select company or industry relevant ESG research publications. This allows for peer comparison in identifying any potential risks and opportunities.

We also subscribe to Sustainalytics, a provider of ESG and Corporate Governance research and ratings, to monitor any events or changes that may have taken place in any investment with regard to ESG issues. At least annually, we audit our portfolio in aggregate from an ESG rating perspective.

In voting proxies on behalf of our clients, PCJ subscribes to Institutional Shareholder Services (ISS), a provider of corporate governance and responsible investment solutions. We leverage their additional research on proxy votes to make informed decisions on both routine votes and shareholder proposals, in order to steer towards positive change for the company, including ESG matters.

As part of the CC&L Financial Group, PCJ also has the opportunity to leverage the in-house knowledge on developments in the ESG landscape, as well as share best practices on the integration of ESG considerations with our affiliated investment companies.
VI. Disclosure

PCJ reports on its responsible investment activities to its clients on a quarterly basis as a part of their regular statements. This includes a summary of any current direct or joint engagement commentary, recent outcomes of engagement, or any updates on ESG related activities and relevant industry event participation.

PCJ also reports a quarterly basis a summary of its proxy voting record to its clients.

Additionally, we report on our activities annually through the rigorous assessment of the UNPRI. PCJ looks toward the UNPRI assessment as an independent evaluation of where we can improve our Responsible Investment Policy on a forward basis, and to keep abreast of ongoing efforts to refine the integration of ESG considerations. This report is not released publicly, but is available to our clients on request.