



SLC
Management

SLC | Fixed
Income

Engagement

Engagement

SLC Fixed Income participates in industry activities to continue to increase our insights and expertise in this area, help support our role as fiduciary to our clients, and help our clients achieve their investment goals.

Why do we engage with companies?

We engage with companies to help inform our understanding of relevant ESG risks that could help lead to improved long-term performance. We do so to understand ESG risks and to work with companies on issues, including climate change among others, that could have a material impact on the value of their securities – this is done as a part of our investment process under our fiduciary duty to our clients.

In addition to the collaborative initiatives noted below, we regularly discuss ESG matters in meetings with corporate management teams which can provide an opportunity to better understand ESG matters relevant to the issuer.

Climate Action 100+

Climate Action 100+ is an investor-led initiative that seeks to engage the world's largest corporate GHG emitters to act on climate change. Companies include 100 systemically important emitters accounting for two thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition. To date, 700 investors with US\$68/C\$92 trillion in assets under management* have signed on to the initiative.

*Source: climateaction100.org

Climate Engagement Canada (CEC)

In 2021, SLC Management was a founding member of Climate Engagement Canada (CEC), which has grown to 36 institutional investors collectively managing over C\$4 trillion in assets*. The initiative aims to work collaboratively to support Canada's business transition to net zero by engaging with 40 of Canada's highest emitting companies to encourage best practices around climate change disclosures, risks and opportunities.

*Source: climateengagement.ca

Canadian Coalition of Good Governance (CCGG)

Representing the interests of institutional investors, the CCGG promotes good governance practices in Canadian public companies, including improvements of the regulatory environment and efficiency and effectiveness of the Canadian capital markets. In 2022, CCGG met with the boards of 30 TSX-listed issuers on topics such as executive compensation and oversight of material business risks.

We endorse the [CCGG Stewardship Principles](#) and strive to implement the principles where relevant to SLC Fixed Income. Our annual Sustainable Investing Report is part of our commitment to disclose our approach to stewardship.

Broader public and industry participation

IFRS Sustainability Alliance

The International Financial Reporting Standards (IFRS) Sustainability Alliance is a global non-profit organization that offers a suite of resources designed to help investors develop shared understanding of enterprise value. The resources include the Sustainability Accounting Standards Board (SASB) which guide the disclosure of financially material sustainability information by companies to investors. The SASB Standards are a reference when we identify key ESG factors by industry. The IFRS Sustainability Alliance also offers education opportunities for its members.

Responsible Investment Association (RIA)

The RIA is a network of investors and investment professionals who practice and support responsible investment. RIA's mandate is to promote the adoption of responsible investing in Canada's retail and institutional markets. We are an active participant in the RIA's education and information initiatives, lending our voice and imparting our insights through its conferences and publications. Andrew Harris, Managing Director, Sustainable Investing, participated in a fireside chat at the 2022 RIA Fall Forum about the "state of play" in sustainable finance.

Private Placement Investors Association (PPIA)

The Private Placements Investors Association (PPIA) is a business association of institutional investors that are active, direct investors in the primary market for privately placed debt instruments. To address investors' need for more standardized ESG disclosure, a core group of six investors, including SLC Fixed Income, came together in 2021 to form the PPIA ESG Standards Committee. The Committee's goal was to create a common questionnaire to provide clarity regarding the investment community's ESG data gathering needs and achieve process efficiency and consistency for issuers, agents, and investors. The PPIA Corporate Sustainability Questionnaire launched in April 2022, including 25 questions in level one and additional questions in level two. The questionnaire is publicly available on the PPIA website.

Canadian Bond Investors' Association

The Canadian Bond Investors' Association (CBIA) was established in 2011 and represents over 50 of the largest fixed income institutional investor organizations in Canada, with over C\$1.2 trillion in fixed income assets under management*. One of the CBIA's objectives is to be an advocate for positive change in the Canadian fixed income market, including encouraging best practices for ESG. We are a member of the CBIA's ESG Committee.

*Source: bondinvestors.ca



Engagement

Partnership for Carbon Accounting Financials (PCAF)

In 2022, SLC Fixed Income joined the Partnership for Carbon Accounting Financials (PCAF). PCAF is an industry-led initiative to facilitate transparency and accountability of financed emissions within the financial industry. Members assess and disclose the GHG emissions associated with their loans and investments in line with the PCAF Standard.

Principles for Responsible Investment (PRI)

The United Nations supported Principles for Responsible Investment (PRI)¹⁶ is one of the world's leading organizations for responsible investment representing US\$121/C\$164 trillion of assets under management. SLC Management has been a signatory since 2014. We contribute to the PRI through participation in webinars and collaborating with other signatories. For example, we participate in PRI Community of Practice sessions designed to bring signatories together to discuss best practices.

Signatories are required to respond to the PRI's annual questionnaire. Please see below for the results of our most recent PRI assessment¹⁷.

Module	SLC Management Star Score (1 to 5)	SLC Management and Median Scores (out of one hundred)
Direct - Fixed Income - Corporate	★★★★★	96/62
Direct - Fixed Income - Securitised	★★★★★	95/55
Direct - Fixed Income - SSA	★★★★★	92/50
Direct - Fixed Income - Private Debt	★★★★★	88/67
Investment Stewardship Policy	★★★★★	88/60

16. Principles for Responsible Investment ("PRI") ratings are based on six Principles for putting responsible investing into practice. The Principles were developed by an international group of institutional investors and are supported by the UN reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. Rating was issued on 8/18/2022 by PRI and is based on information as of 12/31/2020. Compensation, inclusive of membership fees as relevant, has been provided for survey participation, ranking and/or rating issuance as applicable. Ratings are consistent with commitments to the following Principles, incorporating ESG issues into investment analysis and decision-making processes, incorporating ESG issues into ownership policies and procedures, seeking appropriate disclosure on ESG issues by entities in which we invest, promoting acceptance and implementation of the Principles within the investment industry, enhancing effectiveness in implementing the Principles and reporting on activities and progress towards implementing the Principles.

17. Please see the following link for information relating to the methodology of assessment: <https://www.unpri.org/reporting-and-assessment/how-investors-are-assessed-on-their-reporting/3066.article>



Engagement

Engaging with issuers¹⁸

CASE STUDY

As an active investor, dialogue with issuers is a fundamental part of SLC Fixed Income's investment process. Along with other institutional investors, we have been engaged with a large North American company focused on the transportation and storage of fossil fuels. We chose the company due to its scale, impact on the environment, and its role in facilitating energy transition.

We met with senior leaders of the company during 2022, including the CEO and Chief Sustainability Officer. Our discussions focused on:

- reduction targets in GHG emissions;
- methane reduction and reporting;
- investment in low carbon and no carbon opportunities;
- participation with industry associations; and environmental disclosure.

OUTCOME & NEXT STEPS

The company takes this work seriously, continuing to provide us with regular access to company executives. This helps us understand the company's environmental strategies and informs our ESG analysis.

Overall, the company has made progress on their climate change goals in the following ways:

- establishing a corporate emissions intensity key performance indicator;
- obtaining independent third-party limited assurance of Scope 1 and Scope 2 GHG emissions and corporate emissions intensity data¹⁹; and
- dedicating billions in its capital plan to emissions free and low carbon energy projects.

18. This case study is for illustrative purposes only. Any reference to a specific asset does not constitute a recommendation to buy, sell or hold or directly invest in it. It should not be assumed that the recommendations made in the future will be profitable or will equal the results of the assets discussed in this document.

19. The GHG Protocol Corporate Accounting and Reporting Standard

