SLC Management | SLC Fixed Income

2021

Sustainable Investing Report

Your purpose is our purpose

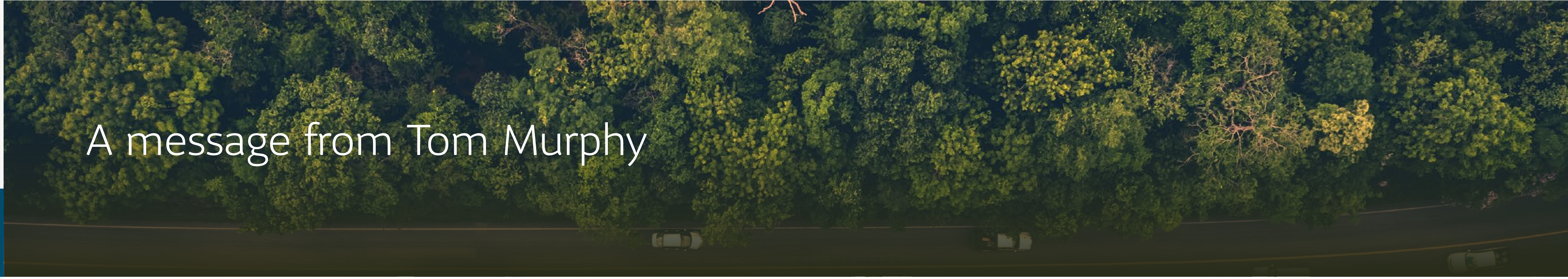
Your purpose is our purpose

SLC Fixed Income is the investment grade fixed income business of SLC Management[1]. We partner with institutional investors across the globe, investing for you and alongside you. With C$173 billion in assets under management[2], we help our clients optimize their asset allocation profile, and meet their long-term income and capital appreciation objectives by leveraging our expertise in investment grade public and private fixed income, liability-driven investing, insurance asset management, and our long tenure managing bespoke portfolios.

In partnership with the SLC Management companies, we can combine our investment capabilities across public and private fixed income, real estate equity and debt, and infrastructure equity to enhance the value that we bring clients. Few investment managers can match this continuum of investment capabilities, which can help clients achieve their risk and return objectives.

Across our platform, our strategies have provided strong and consistent returns. With more than 550 investment professionals[3] in countries worldwide, we generate investment insights that can enhance the performance of our solutions.

Views from the top
Sustainable investing
Diversity, equity & inclusion
Our specialty managers



A message from Tom Murphy

Tom Murphy
President, SLC Fixed Income
& Head of Institutional Business,
SLC Management

We are pleased to share our annual Sustainable Investing Report for 2021. This report takes on increased significance each year as the trends driving sustainable business practices become more entrenched.

Our job is to deliver excellent investment performance to our clients. Sustainability factors are already an important ingredient in our investment decision making process, particularly as it pertains to the existing and projected carbon footprint of the corporations and entities to which we lend.

Our **2021 Sustainable Investing Report** reflects upon the sustainable investments we have made within our public and private fixed income portfolios and the processes we employ to integrate ESG considerations. We continue to invest in our resources, and expand our capabilities in research, data management, and engagement. We continue to make significant progress on our commitment to enhancing our diversity, equity and inclusion practices and initiatives, as well as on our advocacy and engagement activities.

We believe it's important to be at the forefront of industry discussion on such initiatives as net zero. The **Net Zero Asset Managers (NZAM)** initiative is an international group of asset managers committed to supporting the goal of net zero emissions by 2050 or sooner.

Joining NZAM will help us develop a framework and focus for us to achieve our sustainable investing goals and those of our clients, giving us an edge in investment decision making, driving better performance and achieving a better environment for people everywhere. Our signing on to NZAM accelerates our actions to develop better reporting tools, build more robust data analysis, pursue alternative energy investments, and advocate for change with the companies in which we invest.

With our continued progress and actions, we'll make it easier for clients with sustainability goals to achieve and track progress. Our goal is to lead ESG initiatives, in partnership with our clients and consistent with our global business objectives. Our work, and our resolve, continues.

SLC | Fixed Income

Investment grade fixed income business of SLC Management

Manages over
C$173B
in assets

SLC Management
Managing Fixed Income & Real Assets
C$334B

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What clients ask? Anna Murray answers.

Anna Murray
Managing Director, Global Head of ESG

We asked Anna some questions that clients and others have asked us recently about ESG investing. Here are her answers:

1 **What do you look for in terms of best practices for ESG?**

What we do, and what we look for in others, are three foundational basics for the advancement of ESG:

1. Varied perspectives from across business lines, with diverse teams executing the strategy will enable a robust and sustainable approach.
2. ESG doesn't operate in a silo – ESG risks are business risks. To make progress, strategies must be holistic, scalable, and aligned to business strategy.
3. Investment analysis should be credible, transparent and replicable. At a minimum, this involves alignment to international standards such as International Capital Markets Association (ICMA), United Nations Sustainable Development Goals (UNSDGS), and the Principles for Responsible Investment (PRI), as well as the use of company reports, external ratings and rating agencies, in addition to clear internal methodologies.

All of this requires a commitment to resourcing an ESG strategy. To move beyond ESG platitudes, firms must have a demonstrated commitment to financial and personnel resources. And they must be clear on their actions and results.

2 **Where do you see the near-term opportunities with ESG?**

Near-term ESG opportunities include data management infrastructure and enhanced engagement. Both act as fundamental building blocks in a credible approach to lowering carbon emissions.

Robust data management and governance is critical to credibly navigating ESG; identifying opportunities and ensuring accuracy. It means investing in data to better understand the carbon footprint in individual investments and in our portfolios. This will help us better understand where to focus our efforts for carbon reduction over the long term.

In terms of engagement, driving the dialogue between financial communities and issuers on climate risks and ESG opportunities is an essential first step in transitioning towards a lower carbon economy. With a focus on real economy solutions, engagement with high-emitting or hard-to-abate portfolio companies will assist in reducing emissions and fostering innovative solutions.

3 **We read a lot about environmental and governance issues relating to investing. But what about the "S" in ESG – the social?**

The social aspect of ESG is playing an increasingly important role. This focus typically lags environmental and governance, and the financial industry doesn't have all the answers right now.

What we're seeing is how much better we are when business leaders from varied ethnicities, generations, and identities are powering the decisions. And for investments like real estate, we've seen significant opportunity to measure the social impact of unique assets and their respective portfolios from Diversity, Equity, and Inclusion considerations to increased community engagement and the creation of sustainable spaces.

4 **There are many bold ESG statements being made by organizations. But there's also cynicism, that companies are "greenwashing" with lots of talk and no action. How is SLC addressing this?**

While some cynicism is justified, greenwashing, or the exaggeration of ESG claims, appears in part because of a marked variance in the standardization, metrics and even language that corporations are using. While great strides are being made with internationally recognized frameworks and measurements being developed, the current range of firm specific ESG measurements can make "apples to apples" comparison difficult. Furthermore, the lack of available data poses additional challenges in the measurement and subsequent reporting on progress.

Lastly, this is a rapidly evolving space. In the last year we have seen notable advancements in ESG metrics, regulation and disclosure requirements. Increasing regulatory and stakeholder expectations around transparency will be a driving force in the industry's natural evolution and subsequent mitigation against greenwashing.

We are committed to a methodical and transparent approach to ESG and net zero through robust data management, business integration and engagement.

5 **Looking ahead a few years, what will investment firms be doing differently with ESG?**

We are at a time in the industry where we are seeing varying levels of sophistication and awareness around ESG. Some are making bold net zero commitments and others are just getting started. The result of this has been a variance on approaches and metrics. Over time we anticipate seeing regulatory disclosure requirements, further alignment on reporting frameworks, and better availability of data. This will help to standardize approaches to ESG and back up the statements we're seeing made. The headlines will be less on joining the race to net zero, and more on the progress towards goals.

Investment firms will be laser-focused on addressing upcoming regulations in their business processes and further integrating credible practices into their approach.

In tandem with an advancing agenda, from an investment management standpoint, we may also see a move away from a one-size-fits-all approach to sustainable investing. We envision across SLC Management offering a suite of strategies that are multi-faceted that address a variety of investor goals including, but not limited to, net zero. While this shift may take some time, investors will have greater flexibility in targeting specific ESG goals with their capital allocation.

Rolling up our sleeves with Randy.

Randy Brown
Chief Investment Officer, Sun Life & Head of Insurance Asset Management, SLC Management

We asked Randy for his take on some macro-economic ESG questions that have surfaced in the past few months.

1 **There's a lot of enthusiasm about the role that institutional investors can play in tackling climate change. But companies continue to emit carbon at record levels. Is the enthusiasm warranted?**

The enthusiasm is warranted but there are some near-term challenges. A key one is that the technology to get to net zero doesn't exist yet. At least, not in a scalable, affordable, accessible way. The good news is that many companies and institutions are aligned with the goal of net zero.

But the expectations of some regulators and activists don't align with the path many companies are on. And that's because the infrastructure and technology that we need to truly achieve net zero is lagging our ambitions. Companies can make immediate progress in many areas – like travel, building operations, methods of production – but the path that some expect is overly ambitious based on what's achievable right now.

We will get there – and we understand the urgency. But the transition will take time. In the companies we invest in, we're looking for action plans and achievable interim targets on the road to net zero.

2 **What about your own commitment to net zero? You just announced it in 2022.**

We did. As an asset manager, we joined the Net Zero Asset Managers initiative committing to net zero greenhouse gas emissions by 2050. And we waited until 2022 because it's a big commitment and we needed to do our due diligence. It takes nothing to make a commitment – the hard work comes in fulfilling it.

3 **You're still not going to divest of certain companies or industries as part of your plan?**

We don't think that blanket divestments make sense because there's no engagement. There are carbon-intensive companies who are just beginning their transition journey and have a credible plan. We want to engage with them and support them, because it's a win for investors and the planet both.

Divesting is just moving paper from the left hand to the right – it doesn't encourage change or action. And it could result in missed opportunities. Don't get me wrong – there may still be companies that we decline to invest in based on poor ESG performance. But there is no blanket rule – we actively reassess these decisions as situations change.

4 **You need data to monitor net zero progress. Do you have what you need to make these assessments?**

This is a challenge the entire investment industry is grappling with, and it is one of the reasons we chose to sign on to NZAM, so that we can work with others on it. Getting to net zero will require significant improvements in data quality and management. Right now, we only have reported data for a portion of our portfolio. That number is growing and we're on the path to getting both more data and more accurate data. But this will take time – we're not going to have perfect data in the next 24 months. It's going to be progress one step at a time.

5 **We're seeing a lot of instability right now. How do you expect world crises to impact ESG investing?**

As investors, geopolitical disruptions and events like the pandemic are difficult to predict. But the impacts can be profound. Russia's invasion of Ukraine has literally changed the world order in a matter of days and weeks. And we're still living with the impact of the COVID-19 pandemic.

However, not all impacts are negative. Necessity is the mother of invention. Some would argue that the pandemic has accelerated some actions that reduce our carbon footprint, like commuting and business travel. Other events, like the war in Ukraine, upset world energy markets and supply chains and can stall progress.

Inflation is another emerging trend that could impact ESG investing. It could push back the affordability of new technologies or hamper economic growth. As an asset manager, we know disruptions will occur. We just don't know what they will be, or when they will happen. The key is to view events with an ESG lens and ensure we understand the impacts. In many cases, the impacts are temporary. But when needed, we can shift course and take actions accordingly.

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Our progress

In 2021, SLC Management, including SLC Fixed Income, set and achieved two significant goals to continue advancing ESG principles.

We expanded our popular ESG webinar series, enabling employees to hear from our investment experts during these 45-minute lunch-and-learns. Other educational resources for clients included ESG insights and podcasts on how our investments integrate ESG. You can learn more about our engagement and collaboration activities on page **17** of this report.

Our private fixed income team created new ESG scoring templates for different asset types and rated each portfolio holding. The new templates are now completed on each new investment as a part of the underwriting process.

In 2022, as the global Sustainable Investing team continues to grow, we have an ambitious plan to move the program forward:

1. continue to refine and enhance our approach to ESG business integration;
2. develop and improve our climate data capture and target setting approach to meet our clients needs;
3. continue to support ESG focused product development;
4. expand engagement initiatives; and
5. develop a comprehensive education program.

You can access our insights online at:

www.slcmanagement.com

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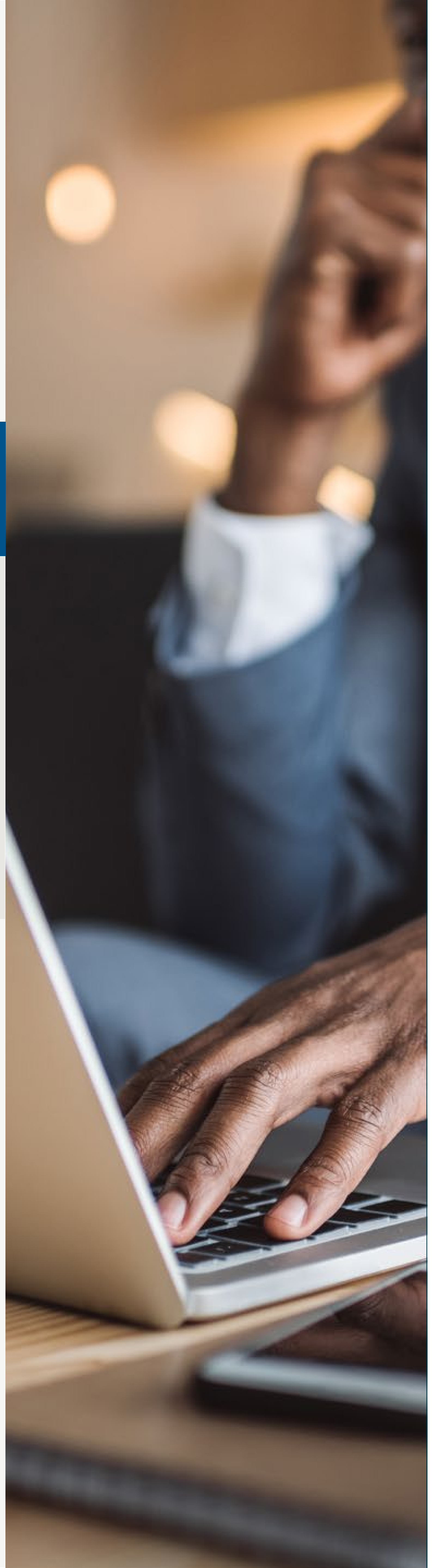


Our philosophy

Sustainability factors are an important ingredient in our investment decision making process. We believe in investing sustainably to preserve and enhance the long-term market value and income generation capacity of investment assets, where applicable. By doing so, it helps us to achieve our sustainable investing goals and those of our clients, drive better performance and realize a better environment for people everywhere. In this way, we aim to improve the expected risk-adjusted return for our clients.

Sustainable investing framework

We uphold our philosophy with a well-established framework that keeps us organized and focused on current and future activities.

Governance

Our governance structure captures ESG through both a business and an investment lens.

Read more

Investment process

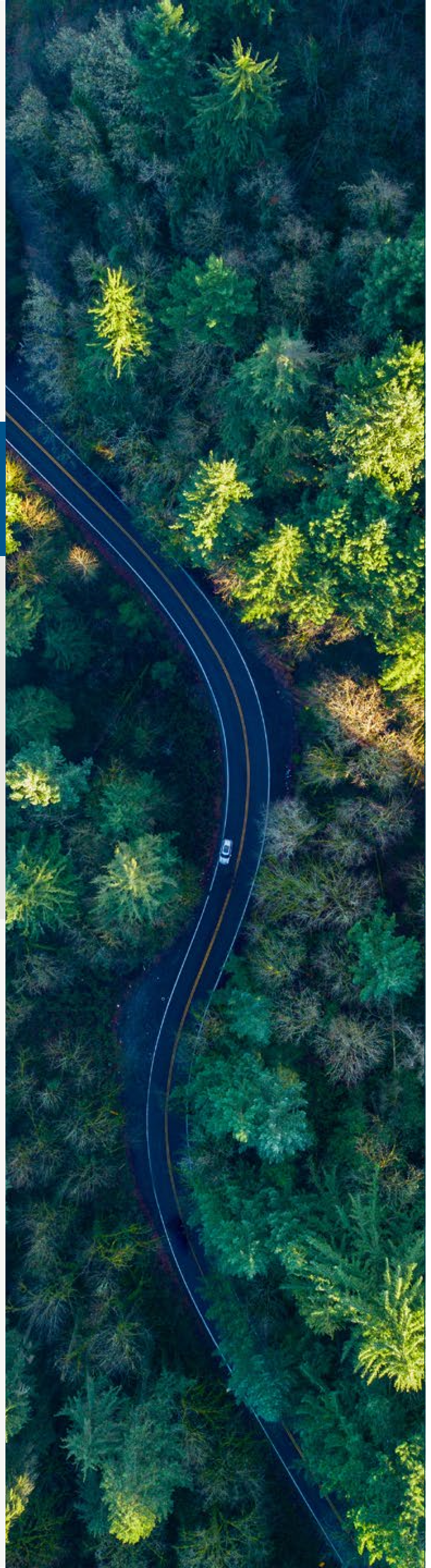
We deliver ESG focused investment solutions to support our clients' objectives and commitments.

Read more

Advocacy and engagement

We engage with corporate issuers and advocate through industry initiatives to help influence change.

Read more



Governance

Executive sponsorship

Randy Brown, Eugene Lundrigan, and Anna Murray are the executive sponsors of our sustainable investing program and lead our Sustainability Committee.

Randy Brown
Head of Insurance Asset Management, SLC Management & Chief Investment Officer at Sun Life

Eugene Lundrigan
President, SLC Management Canada

Anna Murray
Global Head of ESG, SLC Management

Sustainable Investing team

The Sustainable Investing team has formed a centre of excellence partnering with leaders across the SLC Management organization to ensure integration of sustainability principles, best practices and policies, and honouring our commitment to clients.

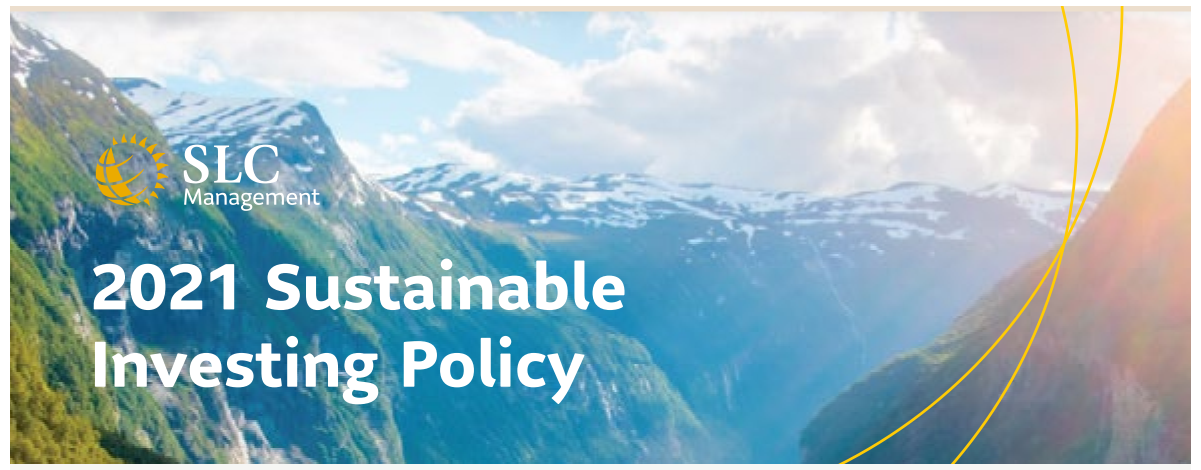
Two groups govern our sustainability approach

The **Sustainability Committee** is responsible for overseeing the direction, priorities and implementation of our sustainable investing initiatives. Senior leaders across our business make up this Committee.

The **Sustainable Investment Council** is a sub-committee of the Sustainability Committee. Investment team leaders, including the Head of Credit Research, portfolio managers, and the Chief Investment Officer make up this Council. The Council is responsible for representing and working with all teams to integrate ESG factors into our investment processes and ensuring our sustainability principles guide our investment work.

DOWNLOAD

From our parent company, SLC Management's sustainable investing objectives, goals and outcomes are disclosed publicly in **Sun Life's 2021 Sustainability Report**



Our Sustainable Investing Policy sets out our ESG principles. These are consistent with the Principles for Responsible Investment (PRI).

Investing in ***public fixed income***

Managing investment grade public fixed income is at the heart of our continuum of solutions and our clients' portfolios. Over 90 investment professionals[3] comprise our public fixed income team, which includes a team of credit research analysts organized by sector. Together the teams manage nearly C$130 billion in public fixed income investments for our clients.

Our approach

We combine deep bottom-up fundamental research capabilities with a comprehensive understanding of sectors and credit. This includes ESG risk analysis on our corporate bond assets under management.

Companies we review have a fundamental credit risk rating, which incorporates our ESG views, as well as a separate ESG rating. We analyze both qualitative and quantitative factors.

Portfolio managers vary their approach to ESG risks depending on the mandate. For example, ESG risks may be more important for a long duration bond mandate in sectors impacted by climate change. A shorter duration mandate, with assets that mature in a few years, may be less affected. We reflect changes in the ESG outlook in our fundamental credit risk views.

Monitoring ESG factors

Markets are ever changing and our approach to managing ESG related risks is dynamic. We regularly examine companies we hold in our fixed income investment portfolios and revisit our ESG methodology at least annually. We meet with many corporate bond issuers each year, as management team meetings provide an opportunity to discuss ESG matters relevant to the issuer.

- ESG risk analysis applied to corporate bond AUM
- Fundamental credit and ESG ratings
- Client mandate and asset type guide ESG integration approach
- We play offense and defense
- We meet with over 200 bond issuers a year

"We work with our clients to understand their goals – and that includes their sustainability criteria. Our investment process requires that we update our ESG view for each portfolio holding at least annually. This ensures we stay true to client goals and that our investments continue to meet our own strict sustainability standards."

Doug Gardiner
Senior Management Director,
Head of Public Fixed Income

90
investment professionals[3]

C$130B
public fixed income investments

C$2.2B
green, social, and sustainability bonds

Please note: figures may not add up due to rounding.

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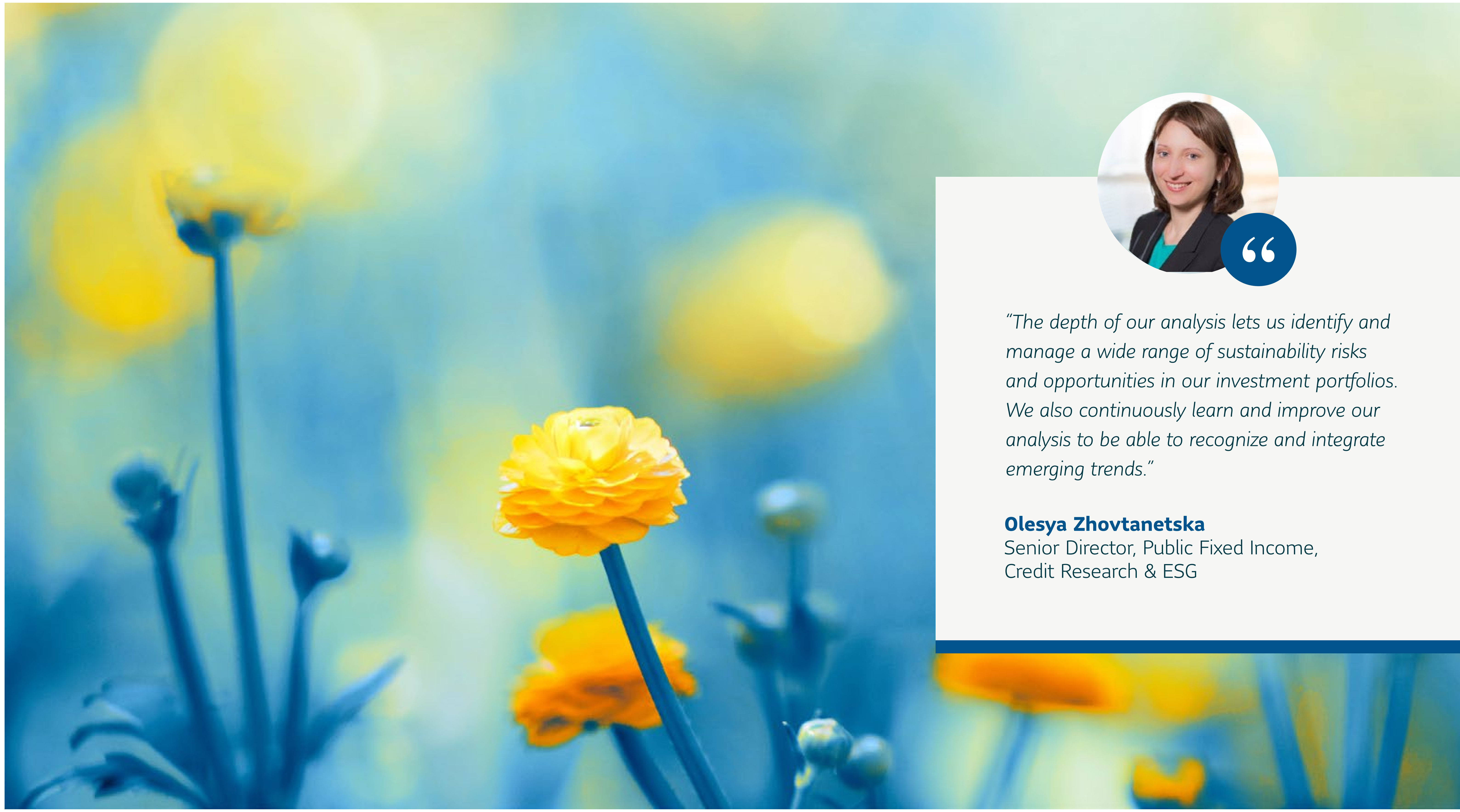
Sustainability is more than ESG – ***ESG Plus***

ESG Plus is our approach to research and analysis, which reflects risks that may not easily fit under the categories of ESG, such as ‘automation’ and ‘robotics’. These risks are difficult to quantify, and cannot be reflected in precise financial terms, but we believe are likely to affect investment returns. As a result, we must consider them based on judgment and in qualitative terms.

Our analysis includes studies of industries and sectors to generate ESG Plus ratings of public corporate issuers and custom scorecards for our private fixed income investments. We create ESG Plus studies that track relevant ESG risks by industry. We also examine company and industry trends from the ESG perspective. Data sources for our ESG ratings include MSCI, Bloomberg, and rating agencies as well as company reports, among others.



“The depth of our analysis lets us identify and manage a wide range of sustainability risks and opportunities in our investment portfolios. We also continuously learn and improve our analysis to be able to recognize and integrate emerging trends.”

Olesya Zhovtanetska
Senior Director, Public Fixed Income, Credit Research & ESG

ESG Plus study: Capital Goods

Capital Goods companies serve clients operating in many different end markets. The energy and carbon regulations and growing requirements of sustainable business conduct are shaping the operational procedures of manufacturers themselves, and client demand. Given the exposure to a wide range of client bases and end markets, the capital goods industry is at the center of global megatrends including decarbonization, digitalization, and automation. Megatrends are important in the transition to a net zero carbon economy and ongoing regulatory pressure driving demand for sustainable solutions.

This ESG Plus Study includes exposure to subsectors such as Diversified Manufacturing, Electrical Equipment, Construction Machinery, and Waste Management. Multiple quantitative and qualitative factors were considered, and the key factors identified were broad enough to apply to the different subsectors, while capturing the most significant ESG risks.

CAPITAL GOODS ESG PLUS STUDY: 15 ISSUERS SCORED

ESG issues identified	Weighting
Environmental • Greenhouse gas emissions • Clean tech • Waste management	40%
Social • Labour management • Heath and safety	20%
Governance • Corporate governance • Business ethics	30%
Plus • Cyber risks • Megatrend opportunities	10%

For illustrative purposes only.

Conclusion

Our holdings are positioned well for improvement as most companies have the potential to aggressively reduce GHG emissions and benefit significantly from the transition to automation, electrification, and renewables.

Sustainable investing in action

CASE STUDY

Great financials, exceptional governance

This large fintech company is a market leader, with exposure to positive secular growth trends such as cash displacement and digital banking. With its recurring revenue base, they have an established track record of strong profitability and robust cash flow generation. They also have a history of managing their balance sheet in line with their ratings.

From an ESG perspective, they are a top performer in their sector with a lower GHG emissions intensity relative to their peers. The company also has a lower governance risk.

Specifically, their Board has an independent chair, is over 90% independent, has leading female representation, no entrenched Board members, and no short-term incentives for executive compensation.

Our 'Plus' analysis of the company was also favorable. The technology sector is highly exposed to longer-term regulatory and geopolitical risk given their global reach and increasing deglobalization. This company is largely insulated from those risks due to their predominantly U.S. footprint and underlying business model.

OUTCOME

We added to our position with this company due to its continued strong credit fundamentals and above-average ESG scores.

CASE STUDY

Strong social & governance actions support an attractive investment

This company holds a leading market position in the U.S. wireless business, with strong cash flow generation. The company is also strengthening its financial profile with debt reduction and a more disciplined dividend policy.

They have strong ESG performance, committing to a net zero GHG emission target by 2035. They are also one of the largest corporate purchasers of renewable energy in the U.S.

The company's work in the social sphere is commendable, with a 2021 commitment to invest US$2 billion over the next three years to provide discounted network access for low-income households and expanding network connection in rural areas.

They also have a favorable governance risk assessment based on their board independence and diversity.

OUTCOME

While the company has been a core holding for us for some time, we increased our position in 2021.

Please see endnote 5 for important information about these case studies.

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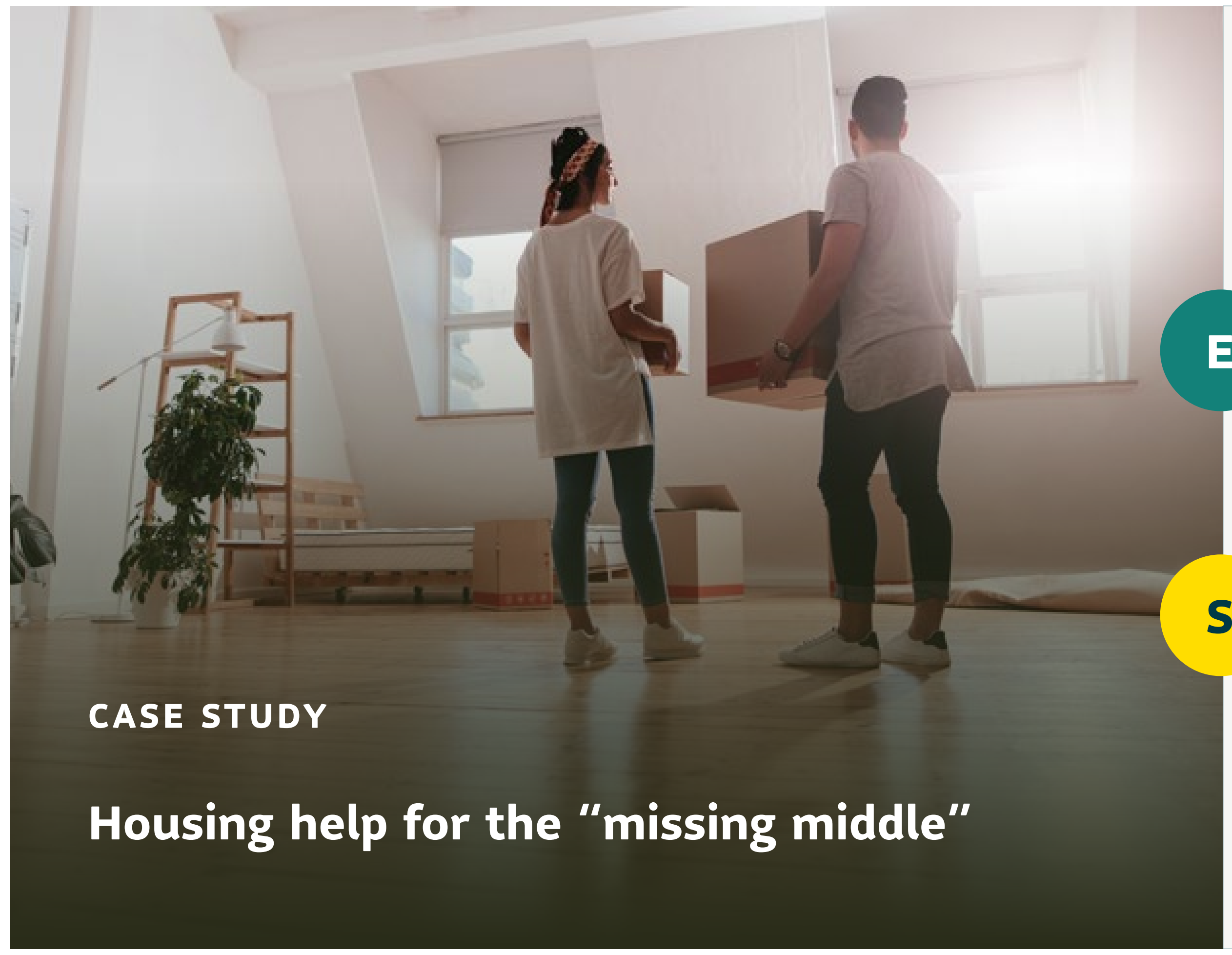

CASE STUDY

Housing help for the "missing middle"

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S

Those in the workforce who rent their accommodations often earn modest incomes yet work in very expensive housing markets. As a result, many can't afford to live in the communities where they're employed. These are the "missing middle" – with incomes not low enough to qualify for rental assistance, but not high enough to afford market rental rates.

A U.S. mortgage trust company – a public government-sponsored enterprise – established a multifamily line of business to ensure the supply of affordable rental housing. This is a core focus of their business. Nearly all (96%) of the eligible units financed in 2020 were affordable to households earning at or below 120% of the area median income. In addition, in 2016, the company set up a "green advantage" program where borrowers could improve their energy and water efficiencies.

To support these initiatives, the company relies on the bond issuance to fund mortgage origination. The company's unguaranteed bond issuance has allowed us to increase credit exposure to the U.S. multifamily housing market, one of the strongest submarkets in commercial real estate.

OUTCOME

We continue to be a significant investor in this issuer and engage with the management team annually. Through this engagement, we monitor the development of the program, the percentages of affordable housing included in collateral, and compliance with federal regulatory guidelines.

CASE STUDY

Strong financials and alignment with UN Sustainable Development Goals

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This transit organization develops, maintains and operates mass transit for a major U.S. city. They serve more than three million people, representing more than 55% of the state's population. Their credit is strong, with revenue derived primarily through sales tax and operating grants. This revenue increased significantly in 2021, driven by rising personal income and retail sales. This eliminated the short-term revenue pressures at the onset of the pandemic.

In addition to being a strong credit, the organization demonstrates a commitment to the expansion of a zero-emission, reliable and affordable public transit system. The organization's work aligns with the UN Sustainable Development Goals (SDGs), specifically, SDG 9: Industry, Innovation and Infrastructure and SDG 11: Sustainable Cities and Communities, by expanding zero and low-emission public transportation options in the region. The organization also provided fare discounts to lower-income households, creating a significant social benefit.

OUTCOME

With strong credit fundamentals and positive social and environmental impact, we purchased the organization's taxable green bonds for various accounts and clients.

Please see endnote 5 for important information about these case studies.

Investing in ***private fixed income***

Our private fixed income team, with over 55 investment professionals[3], manages more than C$44 billion in private credit assets. Sustainability is a cornerstone for this team. Of our combined investment in private fixed income assets, nearly 40% is invested in investments where the use of proceeds has green, social or combined benefits[4].

Our approach

Given the illiquid nature of these investments, we place particular emphasis on ESG considerations before the initial investment. We assign an asset credit rating and ESG score to each investment.

As part of our due diligence, we engage with management and consult third-party experts to assess risks including ESG. This information is foundational to our fundamental investment risk analysis and may lead us to invest or not.

Our investment decisions consider several factors alongside ESG. These include the client mandate, investment time horizon, relative value, and credit fundamentals.

As part of regular reporting, we receive updates on key financial and business factors on our private investments. These include relevant ESG considerations. If an ESG issue arises, we engage with the credit's management team to address it.

"Many public and private organizations are increasingly moving forward on sustainability initiatives aligned with the United Nations Sustainable Development Goals. These can represent excellent opportunities for investment, while furthering global sustainability goals. For this reason, we direct much of our portfolio to these green and social investments."

Sam Tillinghast
President, Head of Private Fixed Income

In 2021, we invested more than C$2 billion in sustainable investments:

	Number of deals	Investment (C$M)
Renewables	7	$447
Energy efficiency	8	$399
Green buildings	5	$376
Clean transportation	2	$147
Access to essential services	14	$724
Total sustainable volume	**36**	**$2,093**

Sustainable investment areas include:

1 **Climate solutions**
- Utility scale wind and solar
- Energy efficiency
- Residential solar
- Green buildings
- Fuel cells
- District heating

2 **Essential services for vulnerable populations**
- Long-term care
- Affordable housing
- Emergency shelter
- Hospitals
- Recovery facilities
- Education

55
investment professionals3

C$44B
Private debt assets under management

Of our investment in private fixed income assets:

C$17B
in investments where the use of proceeds has green, social or combined benefits

C$11B
is invested in green investments providing environmental benefits

C$6B
is invested in social investments providing essential services for social benefits

Please note: figures may not add up due to rounding.

What is a sustainable investment with private fixed income?

Our private fixed income team has developed a sustainable investment framework through which we assess individual investments to ensure alignment. Our framework is predicated on the International Capital Markets Association's (ICMA) definition of green, social and sustainable use of proceeds. In the investment grade private credit market, both labelled and unlabeled sustainable investing opportunities exist. Labelled issuance would have a formal issuer framework and third-party verification, while unlabeled would not.

Through private fixed income financing structures, we have a clear line of sight on the use of proceeds and the positive impact of the financing. In each case where we qualify an investment as sustainable, we consider the community and population served by the investment and whether there are barriers such as affordability to vulnerable populations. If there are barriers, that investment may not be considered sustainable. If the investment has the potential to do significant harm to the environment or socially, it would not qualify as sustainable.

> *"Our credit analysts have developed proprietary private fixed income ESG scorecards to evaluate material ESG factors relevant to each investment. These let us communicate nuanced qualitative judgements, and in some cases quantitative indicators, regarding nonfinancial performance to investment approvers and portfolio managers."*
>
> **Elaad Keren**
> Senior Managing Director, Head of Private Fixed Income Portfolio Management

INVESTMENT OPPORTUNITY

Are the use of any proceeds directed to projects or expenditures that have a positive environmental or social purpose and impact?

Yes

Does this project have the potential to cause significant harm to vulnerable populations or to the environment?

No

Does the investment fall under one of the following categories?

Renewables
Wind, solar, hydro, waste to energy (with certain limitations)

Energy Efficiency
Examples include: energy performance contracts with energy conservation measures that include lighting, building controls and automation, HVAC, distributed energy and microgrids, district heating, smart metering

Green Buildings
Minimum LEED Gold certified

Clean Transportation
Mass transportation such as passenger rail, ferries, bus services and electrification

Sustainable water management
Wastewater treatment, sustainable urban drainage systems, river training and other forms of flooding mitigation. Private corporations providing water services to cities may qualify.

Access to essential services
Healthcare, education, vocational training,affordable housing, emergency shelter, and affordable basic infrastructure (ex. clean drinking water, sewers, sanitation, transport, energy)

Other: financing may not be directly categorized as "sustainable", but may be sustainability linked (for example, covenants or coupon tied to sustainability performance). At this time, these financings are not counted in our sustainable investment totals.

Consideration: Does the project serve a vulnerable population? We consider vulnerable populations to include underserved and marginalized communities. Serving the general public is acceptable in some cases.

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CASE STUDY

Attractive client investment with meaningful social impact

S

When investing in private credit markets, we value businesses that provide an essential service that is unimpacted by economic conditions. This is especially so when the service furthers our clients' ESG goals.

Our investment in the one of the largest opioid addiction treatment providers in North America is one such example. The company has more than 300 locations in 35 states and three provinces and serves about 67,000 people daily.

The company's positive ESG impact is centred on its significance to society in addressing addiction. Opioid addiction is one of the largest physical and mental health issues in North America. The provision of these services to individuals provides access to care where traditional care systems, such as hospitals, are not adequate.

These services improve the lives of patients and their families, improve employment rates, reduce homelessness, and reduce the risk of incarceration. One U.S. study estimated that every $1 invested in substance use disorder treatment saves $7 in criminal justice costs and $4 in healthcare costs (Source: The National Institute on Drug Abuse).

OUTCOME

We've been lenders to this business since 2017 and recommitted to the company in 2021 by participating in the refinancing of its debt at maturity. We were pleased to maintain our position based on the company's strong performance as measured by traditional metrics as well as its ESG impact.

CASE STUDY

Supporting First Nations equity ownership in transmission project

E S

We are a committed long-term lender in a project that aims to connect 17 remote First Nations communities in Canada to a provincial transmission grid.

These communities currently get their power through diesel-powered generators. This means diesel fuel must be trucked in on icy roads in the winter and delivered by helicopter in other seasons.

This project promises to change that. It involves the building of new transmission lines – 1,700 km in length – that will replace the millions of litres of diesel fuel used each year. The transmission lines are expected to allow existing renewable and conventional power produced in other areas of the province to reach these communities and to eliminate thousands of tons of greenhouse gas emissions annually. The transmission lines are also expected to ensure an adequate and more reliable source of power throughout the year.

Our five-year funding commitment is not a loan to the building project itself. It's a loan to the First Nations community to ensure they have the funds needed to participate in the equity ownership of the transmission lines infrastructure.

OUTCOME

The support and involvement of government at two levels provided us with the comfort to participate and finance this loan to First Nations. While we signed the financing commitment in 2019, the project has seen delays partially caused by the pandemic and need for winter roads. It is now underway, and we expect to provide our first round of funding in 2022.

CASE STUDY

Energy efficiency projects that aim to pay for themselves

E

We continue to be an active financial supporter in the U.S and Canadian energy savings contract market. Through these contracts, we finance the installation of energy conservation measures at government facilities, schools, hospitals, and housing facilities.

The funding lets these institutions use private investment and private sector energy experts to improve energy efficiency, allowing them to focus their resources on their primary missions. The energy expert is responsible for ensuring that the savings are enough to cover project costs and provide monitoring and verification throughout our investment period.

Typical measures include LED lighting, high efficiency heating and cooling, building automation and controls, water conservation measures and solar installations. These projects pay for themselves in savings by reducing utility use and lowering operating and maintenance expenses. Beyond these savings, the projects also may offer better energy resiliency (for instance using more efficient and stable microgrids) and decarbonization benefits through lower energy use.

OUTCOME

With government involvement in most projects, and detailed analysis to ensure that savings cover costs, these deals have a very high credit quality. In 2021, we committed financing to seven additional energy savings projects, including two large investments in military base energy conservation projects totalling C$100 million.

Please see endnote 5 for important information about these case studies.

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Advocacy & engagement

SLC Management participates in many industry activities to bring a strong voice to the discussion around sustainable investing, continue to increase our expertise in this area, and help influence positive change. Across the SLC Management companies, we are members of and/or participants in over 25 sustainability related initiatives. What follows are some of the initiatives in which SLC Fixed Income participates.

Broader public and industry engagement

Principles for Responsible Investment (PRI)

The United Nations supported Principles for Responsible Investment (PRI) is one of the world's leading proponents of responsible investment representing US$121 trillion of assets under management. All SLC Management companies including SLC Fixed Income, Crescent Capital Group, BentallGreenOak, and InfraRed Capital Partners are signatories to the PRI. SLC Fixed Income has been a signatory since 2014. Our Sustainable Investing Policy sets forth ESG principles consistent with the PRI, which have always been an integral part of our initial and on-going investment analysis and decision-making.

We contribute to the PRI through participation in webinars and working collaboratively with other signatories. Anna Murray, Managing Director, Global Head of ESG at SLC Management, is Co-Chair of the PRI's Real Estate Advisory Committee.

Responsible Investment Association (RIA)

The RIA is a network of investors and investment professionals who practice and support responsible investment that incorporate ESG factors. RIA's mandate is to drive the adoption of responsible investing in Canada's retail and institutional markets. We are an active participant in the RIA's education and information framework, lending our voice and imparting our insights through its forums, conferences, and publications. Read our latest contribution.

The Value Reporting Foundation (VRF)

The VRF 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 Sustainable Accounting Standards Board (SASB) standards guide and case studies with disclosures of financially material sustainability information by companies. SASB offers significant education opportunities for its members, including a credential that SLC Management is making available to all its employees.

Canadian Coalition of Good Governance (CCGG)

Representing the interests of institutional investors, the CCGG promotes good governance practices in Canadian public companies. This includes the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders and promote the efficiency and effectiveness of the Canadian capital markets.

In 2021, CCGG met with the boards of over 30 TSX-listed issuers. We are a member of the CCGG Public Policy Committee, whose mandate is to develop positions on selected legal and regulatory issues, representing these positions in an effective way to the various regulators and standard setting organizations.

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CFA Institute's Diversity, Equity, and Inclusion (DE&I) Code

SLC Management is a founding signatory to the CFA Institute's DE&I Code in the U.S. and Canada. The CFA Institute is setting standards that will drive lasting change within the asset management industry. We are among the first 16 firms to commit to this code launched in February 2022. The Code calls for signatory organizations to commit to six metrics-based Principles, requiring a commitment to:

- expansion of the diverse talent pipeline;
- talent acquisition by designing, implementing, and maintaining inclusive and equitable hiring and onboarding practices;
- promotion and retention by designing, implementing, and maintaining inclusive and equitable promotion and retention practices to reduce barriers to progress;
- leadership by using our position to promote and improve DE&I outcomes in the investment industry; and
- influence by using our role, position, and voice to promote and increase measurable DE&I results in the investment industry.

PPiA Private Placement Investors Association

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 volunteers, including SLC Fixed Income, came together in 2021 to form the PPiA ESG Standards Committee. The Committee's goal is 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.

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*

Climate Action 100+

Climate Action 100+ is an investor-led initiative that seeks to engage the world's largest corporate greenhouse gas emitters to take necessary action 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, more than 575 investors with US$68 trillion in assets under management* have signed on to the initiative.

*SOURCE: *climateaction100.org*

Climate Engagement Canada

SLC Management is a founding member of Climate Engagement Canada, which brought together 27 institutional investors collectively managing over C$3 trillion in assets*. The initiative aims to work collaboratively to drive 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: *climateengagementcanada.ca*

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Improving climate change actions through engagement

SLC Management participates in Climate Action 100+, with a commitment to engage with the world's largest corporate greenhouse gas emitters to improve their climate performance and ensure transparent disclosure.

We chose one of North America's leading energy delivery companies as an engagement partner due to their leadership role within the energy sector and large exposure to fossil fuels. By engaging with them, we had a meaningful opportunity to encourage the company to lower GHG emissions, set reduction targets, and provide greater data transparency, and to enhance our institutional understanding of the company's environmental strategies informing our internal ESG ratings.

Through 2021, along with other investors participating in the Climate Action 100+ engagement with the company, our Utilities analyst met and corresponded with senior leaders regularly. This included meetings with the company's President and CEO and its Chief Sustainability Officer. In these engagements, we: highlighted the importance of scope 3 emissions and reducing methane emissions; encouraged the linking of executive compensation to GHG reduction targets; and encouraged disclosure around advocacy actions and stress testing using a net zero scenario. We understand that our Climate Action 100+ engagement with the company is just one piece of the puzzle in encouraging the company to move the needle on climate change. To that end, the company takes the engagement with Climate Action 100+ seriously and continues to provide us with regular access to company executives.

OUTCOMES & NEXT STEPS

The company has achieved numerous milestones in its decarbonization strategy, including setting of emissions reduction targets, continued investment in renewable generation, renewable gas, carbon sequestration, a sustainability linked bond framework, and integration of ESG goals into business plans.

Our engagement with the company is an ongoing commitment. Next steps for 2022 include continued engagement on scope 3 emissions inclusion in ESG reporting, setting absolute emissions reduction targets to augment intensity targets, and further progress on management remuneration linked to environmental stewardship.

Joining the Net Zero Asset Managers initiative

We believe it's important to be at the forefront of industry discussion on such initiatives as net zero. The Net Zero Asset Managers (NZAM) initiative is an international group of asset managers committed to supporting the goal of net zero emissions by 2050 or sooner. Joining NZAM will help us develop a framework and focus for us to achieve our sustainable investing goals and those of our clients, giving us an edge in investment decision making, driving better performance and achieving a better environment for people everywhere. Our signing on to NZAM accelerates our actions to develop better reporting tools, build more robust data analysis, pursue alternative energy investments, and advocate for change with the companies in which we invest.

NZAM represents 236 signatories with US$61.3 trillion in AUM. They are a formal partner of the United Nations Framework Convention on Climate Change's Race to Zero Campaign. By joining NZAM, SLC Fixed Income commits to:

- working in partnership with asset owner clients, borrowers, and investees on their decarbonization goals, consistent with an ambition to reach net zero emissions across all assets under management;
- within one year, setting an interim target for the proportion of assets to be managed in line with the target of net zero emissions; and
- reviewing its interim target at least every five years, increasing the proportion of AUM covered

OUTCOMES & NEXT STEPS

Within one year SLC Fixed Income will set and disclose interim targets for 2030, in support of the 50% global reduction in CO_2 identified as a requirement in the IPCC special report on global warming of 1.5°C. We recognize that achievement of this goal requires enabling government policy and actions as well as developing and scaling up commercially viable technological advances to help with the decarbonization of hard-to-abate sectors. As part of the NZAM commitment, we are developing a stewardship and engagement strategy that supports our ambition to achieve net zero emissions by 2050 or sooner, as well as ensuring that our policy advocacy is aligned with supporting global efforts to achieve net zero.

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Diversity, equity & inclusion

Diversity, equity and inclusion (DE&I) is vital to our success. As a global employer, we live and breathe core values that foster a culture of respect, support and collaboration. As an asset manager, we make DE&I a key component of our ESG approach.

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DE&I embedded in our culture of inclusion built on four core values

1. ***We are client obsessed.*** We build authentic relationships to truly know and understand our clients.
2. ***We value each other.*** We recognize each other and celebrate successes, big and small. We are caring, inclusive and treat each other with respect. We create a safe environment for sharing diverse perspectives.
3. ***We act with speed.*** We prioritize and make decisions quickly. We are agile – we try new things and learn fast to get results.
4. ***We have an owner's mindset.*** We provide relevant solutions and are committed to investment excellence. We partner across the organization to do what is best for the firm. We strive for excellence and work together to grow our business.

Creating an inclusive culture

Inclusive leadership enhances our collective power and supports our ability to innovate and grow. Our leaders are accountable for creating a ***culture*** in which individuals are treated with respect and equality and feel safe to be their authentic selves. For leaders, this means ***building trusting relationships*** with team members, valuing their contributions, helping them develop through experiences, creating ***diverse networks*** and formal learning opportunities, and making equitable decisions without bias.

ONE OF THE BEST PLACES TO WORK IN MONEY MANAGEMENT

★ ★ ★ ★ ★

We are proud to be one of the **2022 Pensions & Investments (P&I) Best Places to Work in Money Management**[7]. P&I bases the results on a detailed review of our people practices and policies along with feedback from SLC Management U.S. based employees, who contributed to the P&I survey.

Pensions&Investments

DE&I within our sustainable investing approach

We consider DE&I with a holistic lens because it drives **future growth, value creation** and **talent acquisition**. It is more than numbers and targets.

- We focus on companies' policies and practices because equality, belonging, safety, and authenticity are key to how a company performs.
- We evaluate quantitative indicators related to board diversity, and gender and racial representation.
- Does the policy cover vendor/supplier/contractor practices; does it include structured hiring, training, and development practices that promote DE&I; does the entity have a history of DE&I misconduct?

We know that DE&I principles are vital to our success. And we're on a journey to do better – for our organization, our industry and our clients. We collect data regularly to measure our progress. And we've established clear representation goals and mandated diverse interview panels and candidate slates. It's an exciting time – change can be challenging, but we're making progress on all fronts."

Petra Wendroth
Managing Director and Portfolio Manager

REPRESENTATION GOALS

Representation among Managing Director and above				
	Industry Average	April 2020	April 2022	By 2025
Women	25%	22%	24%	40%
Underrepresented groups	16%	11%	16%	20%

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Progress starts inside

InvestHer Global Alliance is our employee-led inclusion network, which works to help advance women's career development within the investment management industry. The team behind InvestHer has had much success by creating opportunities for networking, development, and mentorship.

- **Networking opportunities** include the innovative speed networking roundtable and virtual book clubs.
- **Professional development opportunities** include panel discussions that featured the SLC Management affiliate businesses where representatives discussed their investment capabilities and processes.
- **The Office Hours mentoring program** provides mentees access to a mentor pitch book through which they can reach out to one or more chosen mentors to share experiences and strengthen ties within the SLC community.

Since the group's launch in 2018, InvestHer's scope and membership has broadened to include more than 400 members.

SLC Allies Acting for Change is an important group of business leaders and employees who make recommendations on actions to drive meaningful change across our organization and industry.

SLC Allies Acting for Change helped drive significant change initiatives in 2021 in areas of DE&I that were most pressing for our organization. Using Remesh's AI-driven online focus group platform, we solicited input from approximately 150 employees. All feedback was anonymous, so participants could express their opinions openly. The Remesh platform used machine-learning to analyze results and form conclusions.

While it was clear that we were doing many things right, the greatest area of need was in helping employees feel psychologically safe at work.

Much of psychological safety is centred on those "one-to-one" interactions that we have at work everyday. And that insight shaped many of the initiatives that we are driving forward. Here's an overview of our key actions in 2021:

- **Meaningful Conversations guide for managers:** In 2022, we will launch a discussion guide for people managers to help them have open and honest conversations with employees and build psychological safety.
- **Inclusion Matters program:** We ran online discussion forums for different DE&I topics, from Pride to senior leaders sharing some of their day-to-day struggles. We continue to evolve these forums, using different formats for people to connect and share experiences.
- **Allyship Program:** Launching in 2022, it's a voluntary learning program for all employees whereby they can be recognized as an Ally. This lets others know they are an Ally for everyone and have an open door to discuss any topic of concern.
- **Women Leaders Habit Lab:** This program (WLHL) explored how women rise and what holds them back. Program coaches helped introduce some of the critical leadership habits that can accelerate the careers of participants. The training was well-received, and we're running another cohort later in 2022.
- **Broader feedback channels:** We will formally introduce 'multi-sourced' feedback channels to ensure that employees and people leaders receive direct input from a range wide of people. This will ensure more voices are heard and increases accountability.

In addition to this DE&I work inside our organization, Allies Acting for Change was also instrumental in encouraging SLC Fixed Income to adopt the industry-wide CFA Institute's DE&I Code. We'll be building our enterprise-wide DE&I roadmap in alignment with this code.

"We're on a journey of continuous improvement and I'm proud of the progress we've made on DE&I. In the past year, we've done more to listen to our employees, to understand what's important to our clients and to commit to industry best practices. We're using this information to make intentional decisions about what to do next. SLC Allies Acting for Change are running several initiatives to help increase inclusion and belonging within our organization and I'm excited to see the impact of the Allyship program, Inclusion Matters, the Women Leader's Habit Lab and Meaningful Conversations."

Heather Wolfe
Senior Managing Director, Head of Canadian Business Development
Chair of SLC Allies Acting for Change

"I have worked in the financial services industry for my entire career and joined SLC Management in 2016. Over the past 20+ years I have attended many work-related courses and I am thrilled to say that the Women's Leadership Habit Labs series was the most effective and relevant professional development course I have experienced. SLC Management's commitment to DE&I and women leaders is clear as I believe programs like the WLHL are exactly what we need at this time The tools and techniques introduced in the WLHL remain part of my day-to-day workflow and will continue to influence my work and how I think about my career path. It was truly an honour participating in SLC Management's first cohort of the WLHL."

Lori Ingram
Senior Director, Sales Enablement

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A personal passion for DE&I

Meet an ally

Ashwin Gopwani
Managing Director of Client Solutions, SLC Management

Why did you get involved in Allies Acting for Change?
The idea of acceptance and inclusion has always been important to me. Early in my career, I remember deciding to remain closeted at work after hearing about a bigoted client asking that one of my colleagues be removed from their account due to their gender. My decision was reaffirmed soon after when other colleagues cast casually homophobic statements.

As a member of the gay community, I saw only potential downside to being "out" at work and thought that I could easily hide this aspect of my personality. After a while, it became exhausting, and a source of anxiety – what would happen if someone found out? By the end, I was able to confide in some close coworkers, but I never got to the point where I felt truly comfortable not hiding at least some aspects of myself from my coworkers. I was inspired by an older co-worker who had decided to be out at work regardless of the consequences. I decided that I needed to make some changes when I made my next career move.

When I joined our parent company Sun Life, I decided to just be who I am, and steeled myself for the possibility of a negative reaction. What I experienced was the opposite. I remember the first Pride event I went to that Sun Life sponsored. It was obvious that it was important - they'd invested a lot of money in it and many colleagues, including senior leaders, showed up regardless of sexual orientation. And it was a great event. It was the first time I truly felt welcome and accepted at a company, and it remains one of my fondest workplace memories. And it made me realize just how powerful feeling included can be.

When I was approached about serving on the new Allies Acting for Change committee, I saw it as a great opportunity to further inclusion for others. I knew what it felt like to not be accepted for who you are. This was a chance to help others who may be feeling the same.

What's your role on the committee?
We all collectively discuss and decide on DE&I issues facing employees. We're then paired with another committee member to be responsible for leading one of our initiatives. Along with other colleagues, I'm working on the Allyship Program. We started working on this in 2021 and we're launching it this year. Any SLC employee will be able to take our training program to be an SLC Ally. When they complete their training, we place a badge on their workplace profile. This lets others know that they're an Ally – and are willing to listen and lend their power on issues that might be impacting another colleague.

What can SLC do better in promoting diversity, equity and inclusion?
Our business leadership truly wants to expand our DE&I thinking and actions. I believe our leaders are committed to change, and that's fantastic. We're starting to see some of it in our hiring practices. There is good guidance for those interested in adopting the firm's recommendations on diverse interview panels with structured questions, diverse candidate slates and gender-neutral job postings.

Many changes require engagement at all levels of the organization. We need to be sure we're reaching all our employees equitably. Our goal is to build a culture of allyship, where we all act on the seemingly small items. If we see someone being treated poorly, we say something about it. We won't assume that it's not a big deal, or someone else's job. Change happens one step at a time.

The expectations are even more important at the senior level. The culture of a firm is largely driven by the culture of its senior leaders, so their commitment to building a truly diverse culture is so important.

A feedback loop at all levels of the organization is important because DE&I overlaps with everything, including seemingly normal business decisions. Senior leaders can't rely on their own instincts when making these decisions. I believe our employees are willing to help and speak up, and share their own different experiences. This is how we ensure that everyone has a seat at the table and helps us make meaningful progress towards our goals.

The road towards progressive Aboriginal Relations certification

Eugene Lundrigan
President, SLC Management Canada

In 2021, SLC Management committed to achieve Progressive Aboriginal Relations (PAR) certification, a seven-year process. We talked to Eugene Lundrigan, President of SLC Management in Canada, who is heading up the initiative on behalf of the firm.

Why did SLC Management take on this commitment?
We've been very vocal about our intentions to foster a diverse, equitable and inclusive workplace. It leads to better outcomes for us, our clients, our employees, and the communities where we live and work. So, under this DE&I umbrella, one of the things that we've chosen to focus on is reconciliation with indigenous communities. The Canadian Council for Aboriginal Business is the PAR certifying organization.

Why is this reconciliation important to SLC Management?
We're learning that business has a role to play in the reconciliation process. A watershed moment for us was the 2015 publication of 94 calls to action by the Truth and Reconciliation Commission. And the tragedies that came to light recently about the residential schools system has also been a huge incentive to act. Through the PAR certification process, we're focusing on call-to-action number 92, which is business and reconciliation.

What does certification involve?
The certification process involves many things. It means providing meaningful consultation, and building respectful relationships, before proceeding with economic development projects. It involves providing access to indigenous jobs, training and education in the corporate sector. It means helping indigenous communities get long-term benefits from economic development projects. And inside our organization, it means providing education and training for our employees in areas like indigenous history and culture.

It's about being a good business partner – and working towards building a more prosperous community between indigenous and non-indigenous people. And there's a reason it takes it takes up to seven years to be fully certified, as there's a lot to be done. We started this journey in 2021, and we're very committed to seeing it through.

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Partnering for change

Bottom Line is a non-profit organization with regional offices in Boston, Chicago, and New York City. By providing consistent one-on-one support, Bottom Line has helped thousands of first-generation students from low-income backgrounds stay in college, complete their degrees and launch their careers. Almost all students (97%) are from under-represented minority communities.

SLC Fixed Income collaborates with Bottom Line to teach, mentor, and hire. We run information sessions to educate students about the asset management industry. These sessions provide students an opportunity to connect with SLC Management employees and ask questions about their careers and experiences. SLC Management employees also volunteer to mentor students.

In 2021, we were thrilled to hire the first Bottom Line participant into our intern program. Bottom Line will play an increasingly larger role in our hiring process, as we expand our channels for the hiring of diverse candidates.

The Diversity Project North America is an initiative started by Nicsa, a not-for-profit trade association striving to connect all facets of the global asset management industry. The Diversity Project North America seeks to drive measurable change for member firms, and for the industry to evolve toward a more inclusive asset management industry with positive business results.

Invest In Girls work with schools, community organizations, corporations and foundations to provide financial literacy and career opportunities in finance to young girls from moderate to low-income backgrounds.

The CFA Institute's North America-wide Experimental Partners Program contributes to the asset management industry development of best practices around Diversity & Inclusion.

Many individuals in Canada face barriers to employment and are stuck in the 'no experience, no job' cycle. **Career Edge**, a Canadian not-for-profit organization works to eliminate barriers to employment by connecting Canadian employers to job seekers through a paid contract employment model. Since our partnership launch late in 2020, we have hired five Career Edge candidates in SLC Management Finance and Operations in Canada.

"My father was a high school teacher and so I have seen first hand how access to education can change lives and make a positive impact on society. Bottom Line supports over 8,000 first generation individuals entering and progressing through college. 97% of Bottom Line students are from underrepresented communities. I am proud to serve on the Massachusetts Board for Bottom Line and to see the partnership between Bottom Line and SLC Management blossom over recent years."

Tom Murphy
President, SLC Fixed Income and Head of Institutional Business, SLC Management

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SLC Fixed Income's global reach and capabilities have grown with the partnerships we have built through SLC Management's specialty managers, Crescent Capital Group, BentallGreenOak, and InfraRed Capital Partners. While each firm has a unique focus, we all share a strong and common commitment to sustainable investing.

SLC | Fixed Income   CRESCENT   BentallGreenOak   InfraRed Capital Partners

Our specialty managers

BentallGreenOak (BGO) is a global investment manager focused on real estate equity and debt (commercial mortgages), managing over C$95 billion in assets under management. BentallGreenOak recognizes the importance of delivering financial value to clients by creating sustainable spaces in which occupants wish to live, work, shop, and play. They have a daily commitment to operational efficiency to reduce consumption. With one-third of all global emissions originating from the built environment, the collective action of BGO and other real estate managers has consequences that are felt worldwide. For more information on sustainable investing from BGO visit: https://www.bentallgreenoak.com/

InfraRed Capital Partners Limited (InfraRed) is an international infrastructure investment manager, with over C$15 billion of equity capital in multiple private and listed funds. They connect global investors looking for long-term stable returns with major infrastructure and real estate projects. InfraRed invests in real assets that: contribute positively to society, support the transition to a net zero future, and provide essential services to communities and societies around the world. InfraRed believes a long-term, sustainability-led mindset is essential to delivering lasting success. They are proud to have achieved many sustainability accomplishments during 2021. You can read more about these accomplishments by visiting: https://www.ircp.com/

Crescent Capital Group LP (Crescent), a global alternative credit investment manager, is a leading investor in mezzanine debt, middle market direct lending in the U.S. and Europe, high-yield bonds and broadly syndicated loans managing over C$48 billion in assets under management. Crescent believes that a thorough analysis of ESG-related issues is essential to understanding a company's long-term sustainability, risk and opportunities and credit quality. Crescent is proud to have achieved several sustainability accomplishments during 2021. You can read more about these accomplishments by visiting: https://www.crescentcap.com/

End notes:

1. SLC Management is the brand name for the institutional asset management business of Sun Life under which the entities Sun Life Capital Management (U.S.) LLC in the United States, and Sun Life Capital Management (Canada) Inc. in Canada operate. These entities are also referred to as SLC Fixed Income and represent the investment grade public and private fixed income strategies of SLC Management. BentallGreenOak, InfraRed Capital Partners (InfraRed) and Crescent Capital Group (Crescent) are also part of SLC Management. Total firm AUM includes Sun Life Capital Management, BentallGreenOak, InfraRed Capital Partners and Crescent Capital Group and includes unfunded commitments.
2. SLC Fixed Income business refers to Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC. The AUM is as of March 31, 2022, and excludes the AUM of BentallGreenOak, Crescent Capital Group, and InfraRed Capital Partners.
3. Investment professionals include Portfolio Managers, Traders, Research Analysts, Portfolio Strategists, and Investment Strategists under Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC.
4. We align to the ICMA definition of sustainable investments, that is, the use of proceeds directed to expenditures or projects with positive environmental or social benefits.
5. The 'Sustainable investing in action' case studies throughout the report are 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.
6. Principles for Responsible Investment (PRI) 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. SLC Fixed Income uses the PRI to guide 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.
7. Pensions & Investments delivers news, research and analysis to the executives who manage the flow of funds in the institutional investment market. Pensions & Investments worked with a leading workplace expert to produce the 2021 Best Places to Work in Money Management list of top companies. Best Companies Group, Harrisburg, Pa., undertook a two-step process to develop the list, designed to gather detailed data about each organization. To participate, a firm had to have at least 20 employees in the U.S., have at least $100 million of discretionary, institutional assets under management or advisement and be in business for at least one year. In part one, the employer completed a questionnaire about the firm's policies, practices, benefits and demographics. In part two, employees were emailed an engagement and satisfaction survey that consisted of 78 statements. Employee responses accounted for 75% of the total company score, with the employer responses making up the remaining 25%.

Disclosure: