Responsible Investment Policy

Power Sustainable Investment Management Inc.

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Fundamental to this Policy is our responsibility to act in the best interests of the Funds and Accounts. Our role is to exercise professional judgment on which financial and ESG factors will be drivers of long-term performance and risk for investments in the Funds and Accounts.

Our responsible investment approach provides further alignment between our investment activities and broader social and environmental objectives.

The purpose of this Policy is to formalize how Power Sustainable Investment Management Inc. ("**PSIM**") implements responsible investment principles for investment funds and separately managed accounts managed by PSIM (together with the investment funds, the "**Accounts**"). Our approach to responsible investment is centered on incorporating ESG criteria into the investment analysis and decision-making process, active ownership and stewardship through engagement and proxy voting.

1. Definitions

Board of Directors : the board of directors of PSIM.

CIO: PSIM's chief investment officer.

COO: PSIM's chief operating officer.

Environmental: when this term is used in this Policy means issues impacting the natural environment, including but not limited to climate change, greenhouse gas emissions, resource depletion and water scarcity, waste and pollution, biodiversity, and deforestation.

ESG: environmental, social and governance.

ESG Scorecard: refer to the proprietary sustainability scorecard developed and maintained by PSIM.

EU Taxonomy: is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. The aim is to provide companies, investors, and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In this way, it should create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation and help shift investments where they are most needed, as may be amended, consolidated or supplemented from time to time.

Governance: when this term is used in this Policy, means issues regarding how companies are 'governed' including but not limited to sound management structures, employee relations, remuneration of staff, tax compliance. board composition and skills, board diversity and structure, tax, accounting, and audit practices.

Greenhouse Gas or GHG: refers to the gases that trap heat in the atmosphere. The most common GHG is carbon dioxide (CO_2), but gases such as methane (CH_4), nitrous oxide (N_2O) and the fluorinated gases are also potent GHG.

Policy: means the Responsible Investment Policy.

SFDR: means the Regulation (EU) 2019/2088, the Sustainable Finance Disclosure Regulation, a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants, as may be amended, consolidated or supplemented from time to time.

Social: when this term is used in this Policy, means issues affecting employees, customers, suppliers, or society at large including but not limited to human rights, bribery and corruption, human capital management, diversity and inclusion, workplace health and safety, managing operations in conflict zones and community relations.

Sustainable Development Goals or SDGs: means the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership.

2. Scope

This Policy applies to all investment activities by the investment funds ("**Funds**") and separately managed accounts advised by PSIM (collectively the "**Accounts**"). This Policy is designed to be responsive to the wide range of subjects that can have a significant effect on the investment value of the securities held in the Funds and Accounts.

As used throughout, the term "sustainability" in our usage is broader than "ESG" and encompasses efforts to drive positive impact for people and the planet through business activities. At its core, sustainability aims to fulfill the needs of current generations without compromising the needs of future generations, with the hope of ensuring a balance between economic prosperity, environmental care, and social well-being in the process. Also, as used throughout, the term "*sustainable investment*" means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices. Contribution to an environmental or social objective, as well as good governance, is assessed using environmental, social or governance factors and harm is assessed similarly. This definition is in line with the EU Taxonomy.

3. Governance

The Responsible Investment Policy is approved by the Board of Directors.

The CIO oversees responsible investment policies and processes, including implementation and compliance of this Policy.

4. Principles

We believe that responsible investment should be a part of the mainstream investment decision-making process. With regards to our Funds and Accounts we:

- Incorporate ESG issues into investment analysis & decision-making processes

- Are active owners and incorporate ESG issues into our ownership policies & practices
- Seek appropriate disclosure on ESG issues from entities in which we invest
- Assess ESG issues in investee companies prior to, throughout and after investment in entities in which we invest using our proprietary sources as well as third party sources

We will also promote the acceptance of these principles with our sub-advisers.

5. Responsible Investment Policy

5.1. ESG Criteria of Parent Company

PSIM, as an indirect wholly owned subsidiary of Power Corporation of Canada ("**PCC**"), is subject to the ESG criteria established by PCC in implementing responsible investment principles for the Accounts and Funds. Please refer to PCC's Responsible Investment Policy for more information https://www.powercorporationcsr.com/en/investing-responsibly/overview/

5.2. Integration of ESG Criteria into the Investment Analysis and Decision-Making Process

Our investment processes require us to exercise professional judgment regarding drivers of value for the Funds and Accounts, and we recognize that a broad range of historical, current, and prospective financial and non-financial factors may be relevant in making investment decisions on behalf of the Funds and Accounts.

At PSIM, ESG factors are considered as part of the investment process. We recognize the relative importance of various potential ESG factors varies across industries, geography, and time. In analyzing the risks of investments in our actively managed mandates, our investment management teams look to identify, monitor, and mitigate ESG risks and opportunities that are, or could become material to long-term performance. By finding companies that properly manage ESG risks and opportunities (and by being a catalyst through active ownership), we believe that sustainability alpha can be generated as standard valuation models do not capture sustainability value properly, yet it has a material impact on future firm performance and longevity.

Our investment philosophy embeds sustainable investing at its core by actively looking for businesses that demonstrate momentum, a willingness to engage and leadership in three (3) key areas (each, an "**ESG Objective**"):

1. **Decarbonization** - accelerating the transition to a low-carbon economy and the creation of affordable clean energy by investing in companies which contribute to stabilization of greenhouse gas concentration, reduction of greenhouse gas emissions, or the increase of greenhouse gas removals, through process and product innovation.

   Companies that significantly align with this ESG Objective typically also align well with the SDGs 7 ("Affordable and Clean Energy") and 13 ("Climate Action").

2. **Smart Society** - accelerating the transition to a more innovative, equitable, better educated, and informed society by investing in companies that help narrow the inequality among different social classes, that promotes sustainable societies by relieving societal operational and financial pressures, that facilitate health, education, gender equality and collaborative engagement initiatives in respect of social issues.

Companies that significantly align with this ESG Objective typically also align well with the SDGs 3 (“Good Health and Well-being”), 4 (“Quality Education”), 5 (“Gender Equality”) and 9 (“Industry, Innovation and Infrastructure”).

3. **Quality Growth** - companies who are strategically positioning their product or service offering to upgrade the consumer’s experience and long-term benefit while also supporting communities and the environment. Companies are targeted for their willingness and ability to improve the quality of products, services, and supply chains. Also, considering that natural and intellectual resources are scarce and the importance of using such resources efficiently, companies must show leadership in managing factors such as employee turnover, employee safety, training intensity, water usage, energy consumption, virgin materials usage and waste generated; and doing so in a more domestic and distributed way.

   Companies that significantly align with this ESG Objective typically also align well with the SDGs 8 (“Decent Work and Economic Growth”), 11 (“Sustainable Cities and Communities”) and 12 (“Responsible Consumption and Production”).

The investment process can be divided into 3 levels, from the investable universe (active pool) to the portfolio constituents. ESG issues are considered at every level:

<u>Level 1: Quantitative Screening</u>

At the first level, a two-step approach is performed to ensure significantly harmful activities are excluded from investment.

In the first step, PSIM excludes companies that generate revenue from the most controversial and harmful environmental or social activities. The investable universe (active pool) is filtered to exclude companies involved in thermal coal, gambling, tobacco, or armaments. PSIM has a zero (0) percent direct exposure threshold (as percentage of total revenue) and tolerates up to ten (10) percent of revenue generated from the sale of products and services to direct exposure companies (i.e. indirect exposure threshold).

In the second step, PSIM assesses the following criteria and excludes from investment if the answer is ‘yes’ to any of the following questions:

1) Does the company have a severe (‘orange’) or very severe (‘red’) overall controversy flag based on proprietary and/or third-party sources and is it unlikely that engagement will yield a satisfactory outcome (i.e. meaningfully reduce likeliness and/or impact of a repeat)?
2) If the company generates indirect revenue from excluded activities while keeping below the indirect revenue threshold of ten (10) percent of total revenue, is it unlikely that the company’s management will be able to reduce the exposure meaningfully in the short term and has a plan for complete divestment from the excluded activities

<u>Level 2: In-depth Due Diligence</u>

At the following level, during the due diligence process, PSIM will complete the proprietary ESG Scorecard.

The purpose of the ESG Scorecard is to measure the company's performance on a number of key ESG issues that, in turn, provide insight on how the company aligns with our ESG (Sustainability) Objectives. ESG issues range from GHG emissions to employee training and business ethics. The performance on any given ESG issue is assessed using at least one ESG metric or qualitative assessment (when no quantitative metric is readily available).

Every company in our active stock pool is compared against local peers, industry best practice, and against past self (to see improvement, if any), to assess the quality of risk management for each ESG issue. When a company is impacting positively an ESG issue (i.e. helping accomplishing specific goals that are beneficial to society or the environment), "bonus points" are awarded. This is to reward not only proper risk management ("Do No Harm"), but also being part of the solution ("Positive Impact"). An overall assessment score from 0 to 10 (10 being the best) is determined and is updated any time there's significant development around a sustainability issue covered by the ESG Scorecard.

For funds marketed in the European Union ("**EU**"), additional criteria are assessed to ensure good governance, no significant harm to environmental and social objectives as well as meeting minimum social safeguards as required by SFDR and defined by PSIM. PSIM also estimates contribution to environmental and social objectives through analysis of company revenue generating activities. Where twenty (20) percent or more of total net revenue generated in the last twelve (12) months or fiscal year (whichever available) are from activities aligned with environmental or social activities as defined by PSIM, the investment is categorized as a "sustainable investment" provided that it also passes the criteria enumerated previously. The specifics of how these criteria are assessed is set out in further detail in the offering documents for funds marketed in the EU.The ESG Scorecard may evolve to include more metrics, and some metrics may change if better measures are uncovered to assess exposure to or management of a given ESG issue. ESG issues and themes (i.e. groups of ESG issues) may also change with time, though it is less likely than metric changes.

Level 3: Portfolio Construction

In the third and final level, PSIM invests in the companies with the best potential for value appreciation within those companies with a minimum acceptable score on the ESG Scorecard. This is a combination of many factors, including the quality of ESG management (as quantified by the score) and the potential for near term improvements through active ownership ("stewardship").

PSIM may divest from a portfolio constituent based on developments that may have material near-term effects on the ESG performance and where engagement with the constituent has yielded unsatisfactory outcomes. This includes, but not limited to, emerging controversies (or resolution thereof), deterioration of (or improvements to) key ESG metrics or disclosures and increasing involvement in (or abandonment of) excluded activities.

5.3. Engagement

In addition to direct engagement with companies, PSIM also believes in encouraging collaborative engagement from within investee companies to leverage internal resources, encourage transparency, and improve ESG performance of the companies in which the Accounts or Funds invest. Please refer to the Stewardship Policy for further detail on this, available https://www.waystone.com/funds/power-sustainable-opportunity-funds-icav/).

6. Policy Approval

This Policy is approved by the Board of Directors as of the above mentioned date and is reviewed annually, or more frequently, as required.