

# Sustainable Investment Policy

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**KALEIDO**



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# Our Core Beliefs

Kaleido Growth Inc. (“Kaleido”)<sup>1</sup> acts as promoter and distributor of scholarship plans (“scholarship plans”) and manages the assets held in the scholarship plans. At Kaleido, we have a duty to act prudently, diligently, and competently in the best interests of our clients, and to manage their assets with integrity, good faith, and loyalty.

Since 1964, Kaleido’s investment strategy has been based on balancing safety and performance. Building on this solid track record, but with our eyes on the future, we firmly believe that the funds entrusted to us should be primarily invested in companies and projects that create value through sustainable business models.

Sustainable investment (also known as responsible investment) refers to a set of investment strategies that take into account environmental, social, and governance (“ESG”) factors during the investment decision-making process and investment holding period. For example, we at Kaleido recognize the risks of climate change and the importance of preserving natural resources for future generations.

We also acknowledge the importance of preserving human capital and engaging in the community through active corporate citizenship. And from a governance perspective, we recognize the merits of board diversity and place high value on board members’ expertise and independence.

We believe that organizations that take ESG criteria and ESG-related risks into account in their management decisions are generally better positioned to generate long-term value and are more resilient in times of crisis. As a long-term investor (RESPs typically have an investment horizon of 15 to 19 years), we consider that a sustainable investment approach is entirely consistent with our investment goals and horizon.

The objective is to select securities from issuers that are more likely to generate long-term value for portfolios, while taking into account the analysis of additional risks, i.e., ESG risks.

(1) In this document, the terms “we” and “our” refer to Kaleido.



## Objective and Scope

The purpose of this policy is to outline the sustainable investment strategy used in Kaleido's investment activities.

The policy formalizes our commitment to include ESG considerations in the investment methods applied to all assets under management, the portfolio manager selection process, and the assessment and monitoring processes implemented during the investment holding period.

The policy is intended to result in better assessment of the ESG risks and opportunities of the securities to be selected, portfolios that are as resilient as possible in times of crisis, and better investment decisions for our clients. We want our clients' assets to be working to build a sustainable future while continuing to generate competitive financial returns.



# Governance Structure

The Board of Directors of Kaleido Growth Inc. is responsible for approving the investment strategies and policies that guide the management of scholarship plan assets, including those related to sustainable investment, based on the recommendations of the experts on the Kaleido Investment Committee.

The Investment Committee is responsible for drafting investment policies and portfolio manager mandates and for overseeing manager selection and performance evaluations in view of making recommendations to the Board of Directors. The Investment Committee is responsible for developing this policy and recommending its adoption to the Board of Directors.



# Implementation

ESG factors are taken into account in many ways, both when decisions are made and during the investment holding period. This section describes the implementation decisions Kaleido has put in place.

## Exclusion filters

All scholarship plans managed by Kaleido apply exclusion filters so as to avoid securities issued by companies operating directly or indirectly in certain industries and whose activities or products and services are deemed harmful to humans.

A company will be deemed ineligible if it derives more than 15% of its revenues from the production, processing, or distribution of products from the following industries:

- Tobacco
- Weapons<sup>2</sup>

(2) Military or offensive weapons, i.e., weapons that are primarily used to cause injury to individuals.



## Integration of ESG factors

ESG factors are a set of standards by which a company operates and which investors use to select investments.



ENVIRONMENTAL factors have to do with a company's behaviour with respect to environmental protection and conservation (climate change, water conservation, energy efficiency, pollution).



SOCIAL factors deal with a company's social responsibility and the way it manages relationships with its employees, suppliers, customers, and other stakeholders such as the communities in which it operates (human rights, discrimination, labour law).



GOVERNANCE factors have to do with a company's decision-making bodies (board of directors, senior management), executive compensation, and internal controls (fiscal responsibility, anti-corruption measures, cybersecurity).

In order to foster long-term value creation, we believe it is essential to integrate ESG analysis into the investment decisions of our scholarship plans. At Kaleido, ESG factors are proactively considered in all our investment strategies implemented by portfolio managers. This approach promotes a more informed analysis of risks and opportunities in investment decisions.



## Thematic and impact investments

Occasionally, depending on the scholarship plan, some investment strategies may incorporate one or more ESG factors into their design in order to target a specific theme, or they may use specialized financial instruments or target specific environmental and/or social impacts. This is the case, for example, with green bonds. These are debt instruments issued to borrow capital that is then allocated to specific projects with tangible environmental benefits. At Kaleido, we contribute to a lower-carbon economy by setting targets to increase the proportion of green bonds held in our scholarship plan portfolios, based, of course, on issue opportunities in the bond market. The proportion of green bonds in Kaleido scholarship plan portfolios is gradually being increased from year to year. The target is for a proportion of 10% of the bond portfolio of scholarship plans to be made up of green bonds.





## Active shareholding

As a long-term investor, we believe that it is important to proactively intervene with companies and issuers whose securities are held by our scholarship plans. We may do so by voting at shareholders' meetings or by engaging in dialogue with the relevant board of directors.

The main goal of this practice is to influence organizations and bring them to consider ESG factors in their management decisions for the benefit of investors, the company itself, and the environment. Another goal is to support proposals designed to improve governance and increase the effectiveness of boards of directors. By helping these organizations make sustainable decisions in line with industry best practices, we seek to make their business models more resilient and enhance their share value over the long term.

## Manager selection and monitoring

As an investment fund manager, Kaleido issues portfolio manager mandates and ensures compliance with its investment policies for the benefit of scholarship plan subscribers and beneficiaries.

It is crucial to us that all managers we do business with be firmly committed to sustainable investment and apply best practices in this area. Consequently, 100% of Kaleido's assets are entrusted to managers who incorporate ESG factors into their management strategy.



Since 2017, we have dealt solely with portfolio managers who are signatories to the Principles for Responsible Investment (PRI), an investor initiative supported by the United Nations. All of the managers we work with have made a commitment under the PRI to consider ESG factors in their investment processes and to report annually on their ESG activities. PRI signatories are periodically evaluated on their compliance with the commitments they have made.

As part of the manager selection process, we thoroughly assess each manager's level of ESG expertise by examining their strategies, capabilities, and governance, and the way they integrate ESG factors into their investment decisions. Managers' views on responsible investing and the culture, policies, and makeup of their responsible investment teams are also taken into consideration.

We maintain an ongoing dialogue with managers to ensure that they apply industry best practices in sustainable investment. Lastly, we require managers to regularly confirm that our expectations regarding sustainable investment best practices are being met for all investment strategies.

## An influence that goes beyond investment

Kaleido intends to exert influence over more than just product design and service offerings, and to do so in a variety of ways. First, we seek to support industry initiatives that help foster best practices, for example, as a member of the Responsible Investment Association (RIA), an association representing Canada's responsible investment industry. The RIA's activities are based on the principle that integrating environmental, social, and governance (ESG) factors into investment selection and management can provide superior risk-adjusted returns and make a positive societal impact. Through our membership in the RIA, we will engage with our peers on sustainable investment and stay abreast of recent developments in this area. Finally, we are committed to raising awareness and educating individual investors about sustainable investment.



## Transparency and Communication

At Kaleido, we are responsible: integrity and accountability guide our actions in everything we do. We are committed to setting concrete, realistic, and measurable goals for sustainable investment. These goals and our progress toward them are made public every year in a report, which is available to our clients and can be viewed on our website.

[kaleido.ca](https://kaleido.ca)



## Approval and Revision

This policy is supported and approved by Kaleido's senior management team and Board of Directors. The policy will be reviewed every three (3) years.

## Contact Us

We welcome your comments and will be pleased to answer any questions you may have about our sustainable investment policies and strategies.

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