

# 2021 Sustainable Investment Report



KALEIDO

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## MESSAGE FROM MANAGEMENT

# Building our children's future by investing sustainably



We are proud to present Kaleido's first annual Sustainable Investment Report. Within a framework of sound governance and transparency, this initiative follows the adoption and implementation of our Sustainable Investment Policy in 2020. By aligning our investment decisions more effectively with environmental and social factors, we strive to contribute to a more sustainable future while ensuring consistency with our investment objectives.

As guarantors of our clients' savings, we are guided in all our actions by a sense of responsibility. Our know-how in education savings and our desire to support families are reflected in our commitments, which go far beyond the Registered Education Savings Plan (RESP). Investing sustainably is part and parcel of our values, mission and long-term horizon. In fact, allowing children to realize their full potential is in and of itself a sustainable investment. Promoting companies that make this vision of the future a reality is not only natural but also essential.

We think financial players must continue to play a decisive role in resolving collective social and environmental issues, while continuing to promote responsible corporate governance. As an investment fund manager, we are of the view that taking concrete action in allocating the assets entrusted to us is an integral part of our fiduciary duty.



In a context where climate change is at the heart of societal concerns, Kaleido contributes to a lower-carbon economy by setting objectives to increase the proportion of green bonds<sup>1</sup> held in the portfolios of our scholarship plans. In 2021, we exceeded the ambitious targets we set for ourselves. Moreover, 2022 will be an opportunity for us to increase the positive impact of our approach, to refine our evaluation methods and to launch a new Scholarship Plan focused on impact objectives<sup>2</sup>.

It is essential for us that all the managers to whom we entrust your assets share our sustainable investment convictions. Accordingly, we ensure that they demonstrate best practices in integrating environmental, social and governance (ESG) factors into their investment processes and maintain active dialogues with the companies in which they invest.

Beyond stimulating savings by offering scholarships and personalized advice, we focus our efforts on initiatives that move Quebec toward a more prosperous economy to benefit the community as a whole. Kaleido supports causes whose common denominator is a commitment to youth and favours portfolio managers established in Quebec to support and stimulate our local communities.

Building on this progress, we will continue our efforts to build the society of tomorrow for our young people, our source of daily inspiration.

Isabelle Grenier, LL.B.  
President and Chief Executive Officer

1 Green bonds are debt instruments issued to raise capital that is then allocated to specific projects with tangible environmental benefits. Source: Ministry of Finance of Quebec.

2 Impact objectives refer to investments intended to create a positive impact beyond financial returns so as to deploy capital intentionally in ways that implement solutions to societal problems. Source: [Responsible Investment Association](#).



## ABOUT THIS REPORT

# Striving to understand and to constantly improve

Kaleido has been resolutely committed to the path of sustainable investing since 2017. In that spirit, we have made steady progress, and this first annual report is part of a long-term approach that we intend to pursue with discipline each year. Its purpose is to share our vision, objectives, and achievements, as well as to provide transparent and meaningful reporting on our extra-financial performance<sup>3</sup>.

Kaleido considers disclosure of accurate and complete information on the results of its sustainable investments to be a key component of its approach. This report bears witness to our

commitment and constitutes a formal opportunity to maintain a constant dialogue with our portfolio managers, with a view to continuous improvement of investment practices.

<sup>3</sup> Extra-financial performance refers to an evaluation that goes beyond economic results. It essentially targets results linked to the behaviour of the companies held in the portfolio regarding the environment, as well as respect for social values and governance.



# Overview of our results

# 100%

of our assets are managed by portfolio management firms that are [signatories to the Principles for Responsible Investment](#)

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# 87 tonnes CO<sub>2</sub>eq/\$M

[less carbon intensity](#)<sup>5</sup> for our portfolios relative to their benchmarks<sup>6</sup>

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# 17.5%

of our fixed income portfolio assets are [invested in green bonds](#)

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# 66 dialogues

about ESG issues with companies in our portfolios

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# 2x more

[green bonds](#) in our fixed income portfolios versus the end of 2020<sup>4</sup>

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# 165 shareholder meetings

during which our portfolio managers exercised our [voting rights](#)

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Note: All data are as at December 31, 2021. Please note that some of our portfolio managers may have exercised our voting rights at one or more of the same shareholder meetings.

<sup>4</sup> Growth based on value in Canadian dollars of assets invested in green bonds.

<sup>5</sup> Carbon intensity measures a portfolio's exposure to companies with high carbon emissions intensity. It is expressed in tonnes of CO<sub>2</sub> emissions per million dollars of revenue. It is the metric recommended by the Task Force on Climate-Related Financial Disclosures (TCFD).

<sup>6</sup> Average unweighted carbon intensity based on data provided by each portfolio manager.



## OUR VISION AND BELIEFS

# Sustainable investing: a central pillar of our asset management strategy

Since 1964, Kaleido has been dedicated to education savings to ensure a promising future for our young people. We are driven by the belief that all children can achieve their full potential when given the means to do so. To deliver on this vision, we invest in companies and projects that create long-term value, taking ESG factors into account in our investment processes.

Kaleido recognizes the existence of climate change risk and the importance of conserving natural resources for future generations. We also recognize the importance of preserving human capital, the need to act as responsible corporate citizens engaged in the community and the merits of diversity and independence on boards of directors. These issues are key to us.

In addition to favouring companies whose management of environmental and social factors is positive, we exclude certain industries whose activities or products and services are deemed harmful to human beings, such as tobacco and weapons\*. Finally, we ask our portfolio managers to intervene proactively with the companies in which we invest in order to influence their practices positively.

We think organizations that consider ESG factors in their management decisions are generally better positioned to manage risk, to demonstrate resilience in times of crisis and to generate long-term returns. Because saving for post-secondary education is a promising long-term project, we think an approach that promotes sustainable investment is fully compatible with our clients' objectives and investment horizons. Accordingly, we have made sustainable investing a central pillar of our approach and have ensured its integrity with a rigorously applied policy that formalizes our commitment.

\* Military or offensive weapons, namely weapons used primarily to cause injury to individuals.

[View our Sustainable Investment Policy](#)

## Our exclusion filters

Our scholarship plans exclude certain industries whose activities are deemed harmful to humans. A company is deemed ineligible if it derives more than 15% of its earnings from the production, processing or distribution of products from the following industries:

- > Tobacco
- > Weapons

## OUR SOCIAL INVOLVEMENT

# A commitment aligned with our mission

People are at the heart of Kaleido's mission. Beyond helping children reach their full potential by supporting their academic success, regardless of their parents' financial capacity, we support causes whose common denominator is a commitment to youth. We are proud to support the following initiatives, which are deployed by dedicated people who, like us, think collective wealth is built through individual success.

### educaide

Founded by the leaders of Kaleido, Éducaide has a mission to equip young people so that, through perseverance at school, they can reach their full potential and actively participate in building the society to which they aspire. We think such financial support makes a significant difference in the fight against school dropout and serves as a confidence builder for young people. So far, Éducaide has awarded more than \$2.5 million to young people from less privileged backgrounds, and 89% of its scholarship recipients have obtained a first degree<sup>7</sup>. In addition to founding the organization and providing material resources and premises, Kaleido contributes actively by making direct donations to the organization and by getting involved in its annual fundraising event. Over the past five years, our employees have given more than \$26,220 to Éducaide and, as part of the 2021 benefit event, the Kaleido governors raised more than \$27,000.

### alloprof

Alloprof makes every effort to support school perseverance by providing free education resources to all Quebec students and their parents. Alloprof promotes an objective that is near and dear to us: academic success from the start of primary school.



With a mission to recognize, honour and promote student involvement in projects that contribute to the development of conscious, responsible, active and persevering citizens, Forces AVENIR shares one of Kaleido's strong convictions: education has the power to root young people to their community while opening them up to the world.



Kaleido is proud to collaborate with this foundation whose mission is to ensure adults and children can develop the reading and writing skills they need to participate fully in society.

<sup>7</sup> In comparison, the graduation and qualification rate in less privileged backgrounds over seven years was 73.5% in 2019 for students who had not received support from Éducaide. Source: Ministère de l'Éducation et de l'Enseignement supérieur du Québec.

## Contributing to investors' financial health

Kaleido also contributes to the financial literacy of Quebec families by offering relevant support to its clients. The support is delivered by qualified stakeholders in the form of advice and concrete tools. We also share relevant content on our blog, accessible to all Quebecers who want to gain a better understanding of the workings of education savings. Finally, we are actively involved in raising awareness and educating investors about sustainable investing by publishing various information tools, including an e-book focusing exclusively on this subject.

## Diversity and equality: integral parts of Kaleido's values since 1964

The place of women and equal opportunity are at the heart of our Company's practices. These priorities have been present since Kaleido's inception in 1964. As the father of five girls, Kaleido's founder, Jean Marchand, wanted to give them all the same opportunity to pursue the education of their choice.

Today, Kaleido continues to promote diversity and equal employment opportunities. Our board of directors comprises men and women from several spheres of activity, and the Kaleido Foundation's board of directors is made up of 36% women. Moreover, most of our management positions are held by women.



## SELECTION AND MONITORING OF PORTFOLIO MANAGERS

# In-depth assessment of ESG expertise and ongoing dialogue

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 for us that all portfolio management firms 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.

Here is how we monitor and ensure compliance with our policy and vision with our various managers.

## Mandatory commitment to the PRI

In 2017, Kaleido made a commitment to retain the services of portfolio management firms that are signatories to the [Principles for Responsible Investment \(PRI\)](#), an initiative supported by the United Nations. All 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 assessed on their compliance with their commitments.

## In-depth assessment of ESG integration practices

As part of the manager selection process, Kaleido thoroughly assesses all managers' ESG expertise by examining their strategies, capabilities, and governance, as well as 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 account.

## Constant communication and follow-up

Kaleido maintains an ongoing dialogue with portfolio management firms to ensure they apply sustainable investment best practices. We require managers to confirm regularly that our expectations regarding sustainable investment best practices are met for all our investment strategies.

# Different approaches to incorporate ESG best practices

To foster long-term value creation, we think it is essential to integrate the analysis of ESG factors into the investment decisions of our scholarship plans. At Kaleido, ESG factors are considered proactively in the investment strategies used by our portfolio management firms. This approach promotes a more informed analysis of investment risks and opportunities. Here's how each of our managers integrates sustainable investing into the decision-making process.

## AlphaFixe Capital

### A dedicated team and an ESG approach based on recognized global initiatives

This specialized manager invests the assets of our plans in fixed income securities by deploying a rigorous risk management process.

Relying on its responsible investment team, AlphaFixe Capital uses several strategies to take ESG factors into account, while adapting its tools to the fixed income market. Additionally, issuers' ESG ratings feed into the internal credit rating system and have a significant impact on investment decisions. Its approach is based on best practices established by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). AlphaFixe Capital managers closely monitor climate-related issues through a climate risk rating system covering physical and transition risks as well as companies' efforts to manage such risks. All funds managed by the firm exclude companies that explore for fossil fuels or exploit proven or probable reserves.

## Fiera Capital

### ESG factors at the heart of risk management and long-term value generation

This manager invests the assets of our plans in fixed-income securities using an active management approach that promotes yield enhancement and capital preservation.

At Fiera Capital, analysis of ESG factors is an integral part of the selection process for corporate and government securities alike. The objective is to better understand ESG issues during fundamental analysis of an issuer's credit, with a view to effective risk management and long-term value generation. Fiera Capital applies negative filters to exclude issuers that do not meet its ESG criteria. Positive filters, on the other hand, target the inclusion of issuers with a positive ESG bias relative to their industry, using an internal scoring system based on different ESG metrics. Fiera Capital also favours the inclusion of green bonds in its portfolios, provided that the risk/return profile is adequate.

## Jarislowsky Fraser

### A committed investor, supported by a sustainable investment committee and exclusive tools for systematic integration of ESG factors into research

As a long-term investor, Jarislowsky Fraser invests the assets of our plans in quality Canadian equities.

The importance of ESG factors is embedded in Jarislowsky Fraser's investment decisions and fundamental analysis. The firm recognizes ESG factors as risks and opportunities that can serve as catalysts for long-term company value. Its sustainable investment committee also coordinates activities such as the development of ESG analysis tools to ensure the systematic integration of factors deemed material in the investment process. Jarislowsky Fraser also acts as a committed investor through dialogue with companies, the exercise of voting rights and several external collaborations.

## Montrusco Bolton Investments

### A multidisciplinary ESG approach to manage risk and to optimize long-term returns

Montrusco Bolton Investments (MBI) invests the assets of our plans in government bonds and North American equities. Its approach focuses on high-dividend growth for Canadian equities and high-conviction growth at a reasonable price (GARP) for U.S. equities.

ESG criteria are central to MBI's investment decisions. They are an effective way to identify and manage risk while generating long-term returns. Integrating ESG factors into asset selection strengthens MBI's investment process and enables it to assess the ESG performance of portfolio companies critically. Its investment teams monitor the carbon footprint of companies as part of climate risk management. Its ESG approach is based on the firm's voting policy, exclusions, positive screening method and active shareholder engagement.

## State Street Global Advisors

### ESG integration to mitigate volatility and a proprietary rating system

The State Street Global Advisors (SSGA) team is responsible for investing the assets of our plans in Canadian and U.S. equities with a focus on high-dividend stocks.

SSGA emphasizes the pursuit of long-term value through a systematic investment approach. While taking ESG factors into account, its strategy aims to mitigate the effect of volatility across the portfolio. Beyond the constraints related to diversification, SSGA seeks to reduce investment risk by maintaining the ESG profile of the portfolio above that of the benchmark index. SSGA also has an exclusive rating system to determine the ESG score of its portfolios. The firm also excludes certain securities from its investment universe.



## FOCUS ON CLIMATE CHANGE

# The energy transition at the heart of our priorities

In addition to taking into account the behaviour of companies with regard to their environmental impacts by assessing how they manage climate-related risks, we favour investments with direct positive effects on the climate and natural resources. At Kaleido, we believe in having an impact and are driven by the idea of creating a greener world for future generations. That is why we have chosen to invest more in green bonds to support projects with the potential to realize our vision.

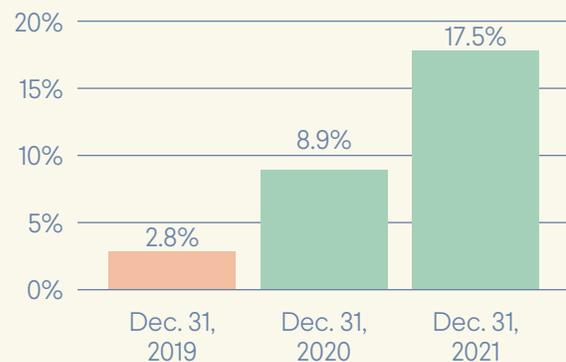
## Spotlight on green bonds

Green bonds are debt securities issued to raise capital, which is then allocated to specific projects with tangible environmental benefits.

Kaleido contributes to a lower-carbon economy by setting targets to increase the proportion of green bonds held in its scholarship plan portfolios, in line with market issuance opportunities.

The proportion of green bonds in the portfolios of our scholarship plans is increasing each year. In 2020, we set a target of 10% for the bond portfolio of the scholarship plans. At the end of 2021, this proportion reached 17.5%.

### Green bond weighting: strong and steady growth



Note: Weight of green bonds as a percentage of Kaleido's entire bond portfolio

## Being part of the solution!

At Kaleido, we believe in the importance of adopting business practices consistent with our sustainable investing objectives. Sustainability also means being able to deploy efforts and metrics internally. We are proud that our head office is in a LEED-certified building and we encourage our employees to adopt more sustainable means of transportation by reimbursing their public transit passes. Kaleido has also eliminated bottled water in its meeting rooms and adopted various other measures to reduce its own environmental impact. Because, to be consistent, we must also look at our own habits.

## Case study

### Province of Quebec green bonds: tangible impacts

Kaleido's portfolios are notably composed of green bonds issued by the provincial government. These are used to raise capital that is allocated to projects with tangible benefits for Quebec in terms of environmental protection, reduction of GHG emissions and adaptation to climate change. One of the projects financed at 41% by this program provides for the acquisition of 468 AZUR metro cars (52 trains) by the Société de transport de Montréal. The new cars will improve the customer experience, increase train performance and reliability, expand universal accessibility to the metro and generate economic outcomes for Quebec.



Source: AlphaFixe



# Active ownership to deploy our influence

Kaleido intends to exert influence over more than just product design and investment decisions. Because we invest for the long term, we think it is important to intervene proactively with the companies and issuers whose securities are held in our portfolios. To that end, various levers are available to us, including the exercise of our voting rights at shareholder meetings, dialogues with boards of directors and management, and participation in various collaborative initiatives with other investors. We aim to use all these tools to spread our influence.

### Voting rights: exercising our shareholder power

Exercising our voting rights allows us to directly influence corporate decisions on sustainable practices. In particular, it allows us to comment on the election of the members of their boards of directors, their diversity practices, executive compensation and many other issues. Voting also allows us to support shareholder proposals that promote, for example, responsible management of environmental impact and climate-related risks. During 2021, our managers exercised our voting rights at more than 165 shareholder meetings<sup>8</sup>.

### Dialogues with companies: challenging leaders directly

When engaging with issuers of the securities we invest in, our portfolio managers can influence such organizations' decisions in the best interests of investors, the business itself, the environment and society. By helping these organizations make decisions that are sustainable and in line with their sector's best practices, we can enhance the resilience of their business model and the value of their securities over the long term.

Our managers maintained dialogues with more than 66 companies in 2021.

### Collaborative initiatives: adding our voice to those of other investors

At Kaleido, we support industry initiatives that contribute to the development of best practices. We are a member of the Responsible Investment Association (RIA), an organization 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 engage with our peers on sustainable investment and stay abreast of recent developments in this area.

<sup>8</sup> Please note that some of our portfolio managers may have exercised our voting rights at one or more of the same shareholder meetings.

# RESULTS ANALYSIS

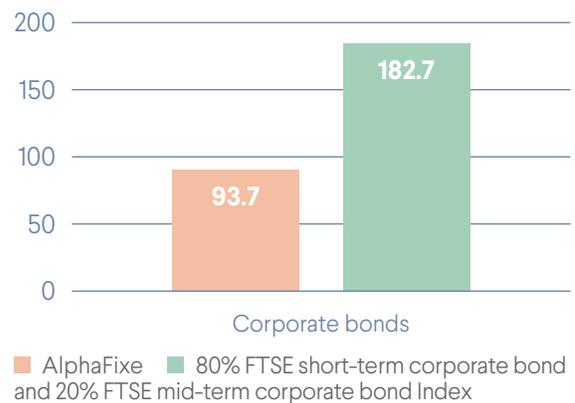
(Manager’s commentary on its ESG performance as of December 31, 2021)

## AlphaFixe Capital

The percentage of green bonds doubled in 2021, rising from about 12% to nearly 24% on average for the portfolios we manage for Kaleido. In addition, we began publishing a quarterly responsible investment report in 2021. The report is sent to all our clients and partners on a quarterly basis and includes several key performance indicators, such as ESG score, disclosure score, percentage of impact bonds, climate mitigation score and percentage of companies with a target aligned with the Paris Agreement.

**Rating assigned by the PRI in 2020 for the “Strategy and governance” module: A+**

### CARBON INTENSITY / tCO<sub>2</sub>eq/M\$



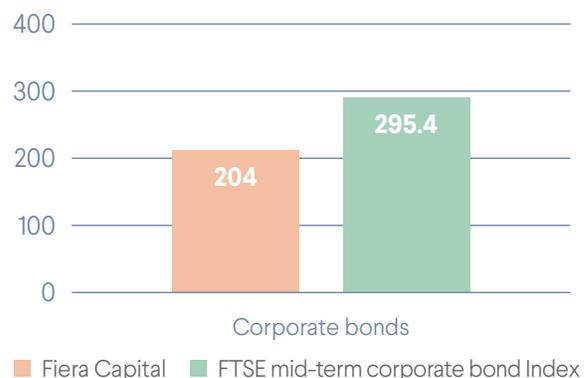
Note: Carbon intensity relates solely to the portion invested in corporate bonds. Source of data: AlphaFixe Capital (the methodology used to calculate carbon intensity is provided in the appendix).

## Fiera Capital

In 2021, Fiera Capital's risk team was reorganized into the Risk and RI team to allocate more resources to ESG projects. We also reviewed the composition of our global ESG committee and drafted a formal charter with the aim of further formalizing the conduct of meetings and clarifying the responsibilities of this group. Fiera Capital joined the Net Zero Asset Managers initiative, pledging to work proactively toward a goal of net zero greenhouse gas emissions by 2050 and to support broader efforts to limit global warming to 1.5 degrees Celsius. Finally, we revamped our annual Sustainable Investment Report to increase our disclosure and transparency to our clients.

**Rating assigned by the PRI in 2020 for the “Strategy and governance” module: A+**

### CARBON INTENSITY / tCO<sub>2</sub>eq/M\$



Note: Carbon intensity relates only to the portion invested in corporate bonds. Source of data: Fiera Capital and MSCI (the methodology used to calculate carbon intensity is provided in the appendix).

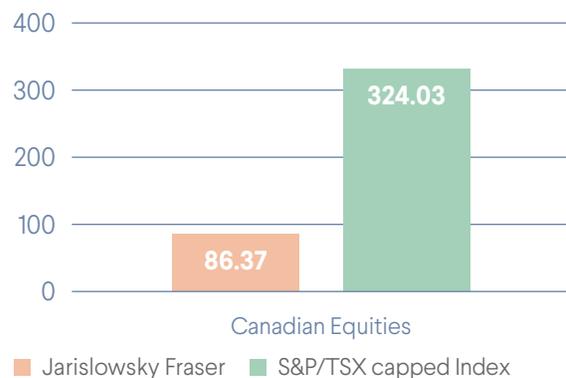


## Jarislowsky Fraser

In 2021, we continued our responsible investment efforts, such as publishing our second online climate report aligned with TCFD recommendations. We also launched our Sustainability and Impact Bond Fund, which focuses on impact bonds and issuers with leading practices in climate transition and diversity and inclusion. Ahead of COP26, we signed the Canadian Investor Declaration on Climate Change and, as part of the first Sustainable Finance Summit, we signed the Declaration of the Quebec Financial Centre for a Sustainable Finance. Finally, the portfolio's carbon intensity was kept significantly lower than that of the index.

**Rating assigned by the PRI in 2020 for the “Strategy and governance” module: A+**

### CARBON INTENSITY / tCO<sub>2</sub>eq/M\$



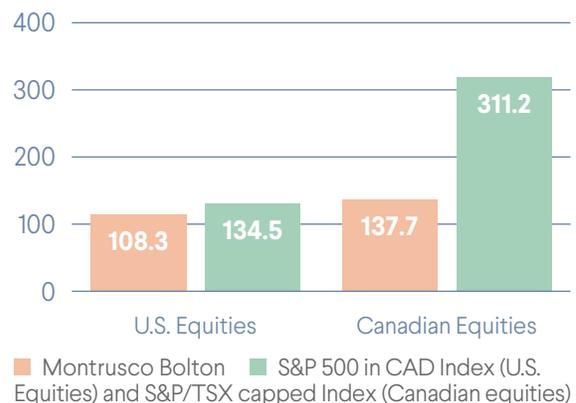
Source of data: MSCI and Jarislowsky Fraser (the methodology used to calculate carbon intensity is provided in the appendix).

## Monrusco Bolton Investments (PMB)

In 2021, the green bonds in the bond portfolio managed by MBI increased from 3.7% to 12.7%. Regarding shareholder engagement with the companies held in the portfolio, MBI held conversations on ESG issues with 17 of them, in particular on issues related to climate risk. The carbon footprint of Kaleido's equity portfolios was significantly lower than that of the indexes. Finally, MBI recently signed the Declaration of the Quebec Financial Centre for a Sustainable Finance with Finance Montréal. In this context, the firm is committed to strengthening disclosure and transparency in sustainable finance.

**Rating assigned by the PRI in 2020 for the “Strategy and governance” module: A+**

### CARBON INTENSITY / tCO<sub>2</sub>eq/M\$



Source of data: Sustainalytics (Morningstar) and Monrusco Bolton (the methodology used to calculate carbon intensity is provided in the appendix).

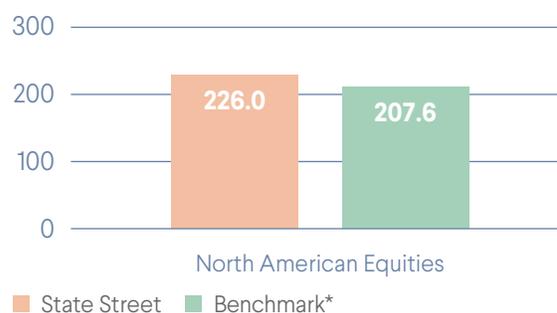


## State Street Global Advisors

Our firm is moving closer to a net zero commitment for our operation. At the end of 2020, we became carbon neutral for all of our global Scope 1 and Scope 2 carbon emissions. In 2019, we have reached a 31% CO<sub>2</sub> emissions reduction compared to 2015, which helped surpass our 30% goal six years ahead of our 2025 target. Looking at the future, we are committed to reducing our global carbon output by 27.5% by 2030 (against a 2019 baseline). We also recently joined the Net Zero Asset Managers Initiative, which is committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

### Rating assigned by the PRI in 2020 for the “Strategy and governance” module: A+

#### CARBON INTENSITY / tCO<sub>2</sub>eq/M\$



Note: The benchmark changed during the reference period. From January to April 2021, the index consisted of 50% S&P/TSX Canadian Dividend Aristocrats and 50% S&P 500 High Yield Dividend Aristocrats in Canadian dollars. From May to December 2021, the index consisted of 40% S&P/TSX Canadian Dividend Aristocrats and 60% S&P 500 High Yield Dividend Aristocrats in Canadian dollars.

Source of data: S&P Global Trucost and State Street Global Advisors (the calculation methodology is provided in the appendix).

Important note about carbon intensity graphs: The graphs shown above present the results for all Kaleido's plans, aggregated according to their dollar weight of assets.

Important note about PRI ratings: As a result of technical difficulties with the new PRI reporting framework, the portfolio managers had still not received their 2021 assessment report when this report was produced. For that reason, we have chosen to present their 2020 results.



## PROGRESS ACHIEVED

# A recent journey, but rapid progress

Since 1964, Kaleido's investment strategy has been based on a balance between security and performance. Backed by this experience and our forward-looking vision, we are committed to investing the sums entrusted to us in companies and projects that create value through sustainable business models.

More recently, Kaleido clients have become increasingly concerned about climate change risks and other sustainable investing issues. To meet their expectations, we have made significant efforts in recent years to anchor our sustainability values within our culture and investment practices.

Since 2017, all our portfolio managers have been signatories to the UN-backed Principles for Responsible Investment. In 2019, we introduced green bonds into our portfolios. In 2020, we became a member of the Responsible Investment Association (RIA) and adopted a Sustainable Investment Policy. Then, in 2021, we exceeded the 10% target that we had set for green bonds. All this progress proves our commitment to integrating ESG factors into our investment practices. This is how we put our clients' assets to work to build a more sustainable future and to create long-term value.

# 2017

> All our managers become PRI signatories

First investments in green bonds

# < 2019

# 2020

> Kaleido becomes a member of the RIA and adopts a sustainable investment policy

Achievement of the 10% target in green bonds

# < 2021

## 2022 OBJECTIVES

# Bold targets to keep our progress on track

At Kaleido, we recognize that sustainable investing is an ever-evolving practice and we are determined to continue our efforts in this direction. We are committed to setting tangible, realistic and measurable goals for sustainable investing.

Here are our goals for 2022:

- Launch a new scholarship plan aimed at generating positive outcomes on two themes related to sustainable development: climate change and children's well-being and education
- Increase our green bond targets for all our bond portfolios
- Adopt new ESG analysis metrics
- Expand our responsible investment universe with new sustainable asset classes in addition to green bonds
- Reduce the average carbon intensity of all our portfolios



# Contact us

## About Kaleido

Our mission: To help children achieve their full potential by accompanying them on their journey toward a brighter future.

Kaleido Growth Inc. (“Kaleido”) acts as a promoter and distributor of scholarship plans and manages the assets held in such plans. A pioneer in its field, Kaleido supports Quebec and New Brunswick families that want to help their children reach their full potential. As at December 31, 2021, Kaleido had more than \$1.8 billion in assets under management, benefiting more than 238,000 young people. Nearly 200 employees and representatives dedicate themselves every day to offering education savings and family support solutions that serve as a springboard for young people who will build the society of tomorrow.

We welcome your comments and questions about our sustainability report.

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KALEIDO



# Performance metrics and methodology

## Eligibility criteria for green bonds

### AlphaFixe Capital

AlphaFixe Capital considers that active management of green bonds makes it possible to participate in the financing of a low-carbon economy without sacrificing returns. Fixed-income securities are intended, among other things, to finance projects to reduce greenhouse gases or adapt to climate change. Selected investments must meet the green bond selection criteria established by AlphaVert's proprietary validation process. These criteria are based in particular on the Green Bond Principles and the Climate Bonds Taxonomy. AlphaFixe considers green bonds so labeled by the issuer, or those that are aligned with the fight against climate change, when the issuing company or the financed project generates income of which a minimum of 90% comes from activities compliant with the Climate Bonds Taxonomy.

### Fiera Capital

When Fiera Capital's managers invest in a green bond, they examine the "use of proceeds" for the issue in question. The prospectus designates the details of the specific actions/activities/projects to which the funds will be allocated and the managers ensure that all such actions/activities/projects are eligible under the particular issuer's green bonds. As for issuers, most issuers of green bonds already have a "Green Financing Framework" in place. When such a framework is published, the Fiera Capital team analyzes its compliance with the ICMA (International Capital Market Association) Green Bond Principles.

### Montrusco Bolton Investments (PMB)

Green bonds held in the portfolio must be issued in accordance with the Green Bond Principles established by the International Capital Market Association (ICMA). These Principles are based on four major pillars: the use of funds, the project selection and evaluation process, the management of funds and finally, accountability. PMB attaches great importance to external reviews conducted by an independent entity recognized in the field concerning the frameworks of a green bond issuance program by an issuer. Transparency of the issuer on the activities financed by the issuance of green bonds is essential and the ability to demonstrate environmental benefits, where possible, are taken into consideration in the selection of green bonds.

## Carbon intensity calculation methodologies

Carbon intensity measures, for each of the companies held in a portfolio, the greenhouse gas (GHG) emissions expressed in tonnes of carbon dioxide equivalent (or t.eq.CO<sub>2</sub>) per million dollars sales over a given period. The emissions measured generally include direct type 1 (scope 1) emissions, the sources of which are within the scope of the company (transformation process, installations, factories, etc.) and indirect type 2 (scope 2) (emissions generated by third parties to produce the electricity used by the company). Scope 3 emissions, ie those attributable to the consumption of the company's products or services further down the value chain, are generally not measured. In order to be able to compare the footprint of the portfolios, it is useful to normalize the annual emissions on the value of the company's sales. The carbon intensity of the portfolios is thus measured per \$1 million unit of sales (or income).

## AlphaFixe Capital

The carbon footprint report only covers corporate bonds. An emitter's carbon intensity is equal to scope 1 and scope 2 emissions divided by the emitter's annual revenue in US dollars. Companies not covered by the carbon footprint calculation are assigned their respective industry average in the benchmark. The weighted sum of the carbon intensity of the industries gives the carbon intensity of the portfolio in tCO<sub>2</sub>e per million US dollars of revenue. AlphaFixe Capital uses its own internal data and resources to measure the carbon intensity of its portfolios.

## Fiera Capital

The carbon footprint report only covers corporate bonds. Fiera Capital calculates its portfolio emissions by taking the weighted average of the carbon intensity of its securities held. Carbon intensity is calculated based on scope 1 and 2 emissions, and the normalization factor is based on company sales (in millions of dollars). This portfolio manager uses MSCI data to calculate the carbon intensity of its portfolios.

## Jarislowsky Fraser

Jarislowsky Fraser uses the services of the external supplier MSCI for the calculation of the carbon footprint of its portfolios. The main methodology used to calculate the carbon footprint of the portfolio is the weighted average intensity, measured in "tonnes of CO<sub>2</sub>e/M \$ of sales". The calculation is made by adding the carbon intensity (total of type 1 and 2 emissions divided by the M \$ of sales) of all the positions held in the portfolio, weighted according to their weight. For example:

- If Enterprise A emits 0.5 million tonnes of Type 1 and Type 2 emissions in 2021 and has sales of \$100 million, its carbon intensity is 5,000.
- If company B emits 0.2 million tonnes of scope 1 and 2 emissions in 2021 and has sales of \$500 million, its carbon intensity is 400.
- If the portfolio owns 3% of company A and 5% of company B, the carbon footprint of the portfolio will be 170.

## Montrusco Bolton Investments (PMB)

PMB uses the services of the external supplier Sustainalytics for the calculation of the carbon footprint of its portfolios. Sustainalytics' carbon intensity calculation methodology includes scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard. The portfolio carbon intensity calculation measures the volume of emissions per million (USD) of sales. Sustainalytics defines Scope 1 emissions as those from controlled and owned sources, and Scope 2 emissions as those indirect from purchased electricity.

## State Street Global Management Advisors (SSGA)

Carbon intensity data for SSGA's portfolios comes from external provider S&P Global Trucost. They are equal to Scope 1 and 2 emissions of the portfolio holdings, divided by the annual revenues of the issuers (in millions of dollars).