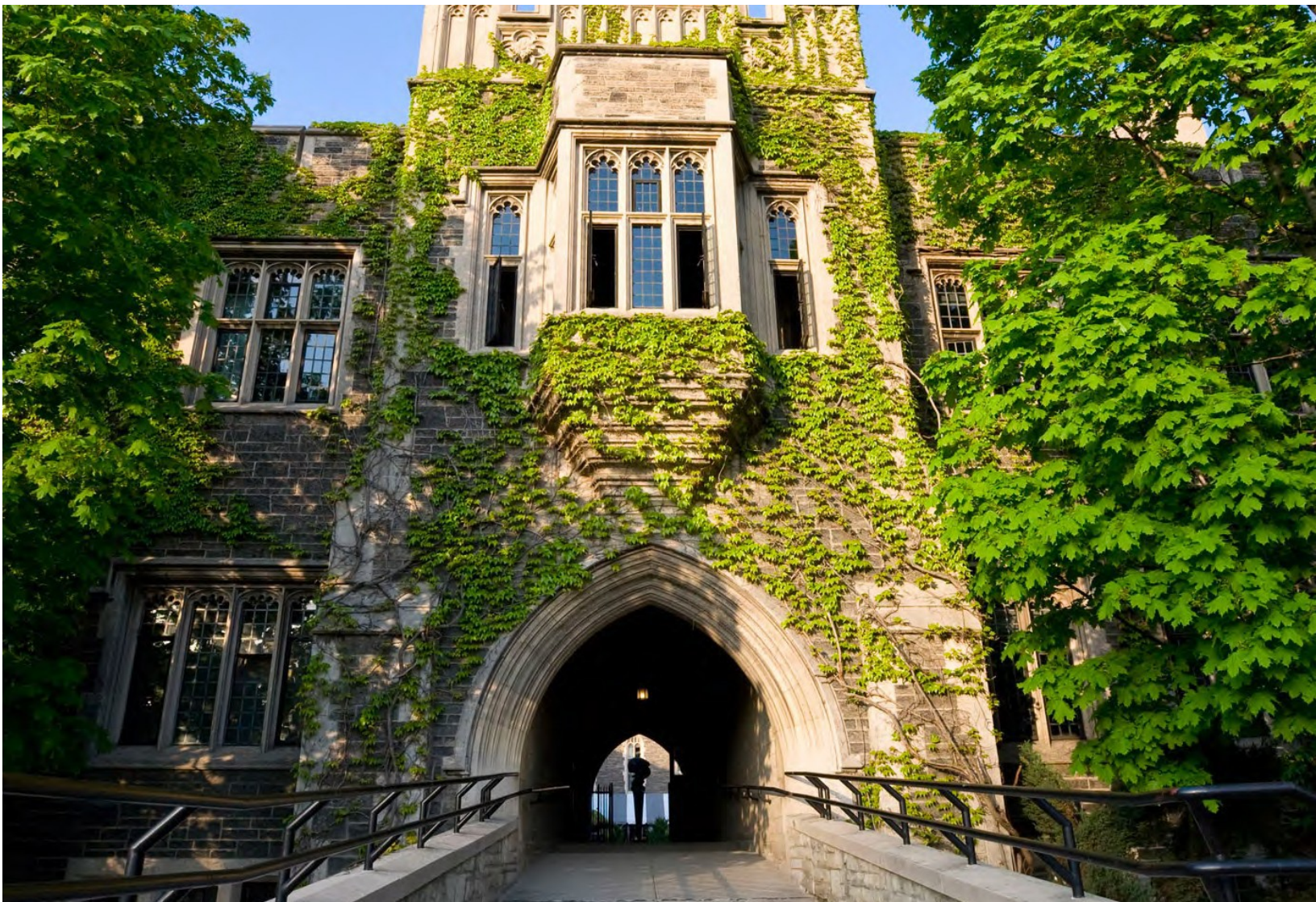


April 2022

RESPONSIBLE INVESTING POLICY



OUR MANDATE

We manage the following investment portfolios on behalf of the University of Toronto:

- Endowment, or the Long-Term Capital Appreciation Pool (LTCAP)
- Expendable Funds Investment Pool (EFIP)

In carrying out our mandate, we do not normally select traded securities ourselves. Rather, we seek to identify best-in-class investment managers and then allocate capital to these managers in the form of either segregated account mandates (i.e., where the securities are directly held by Endowment or EFIP) or, more commonly, via investments in funds (i.e., where Endowment or EFIP invests in a fund that in turn invests in securities). The Endowment portfolio has a long time horizon, whereas the EFIP portfolio has a short to medium term time horizon.

RESPONSIBLE INVESTING

Responsible investing means incorporating environmental, social and governance (ESG) factors into investment decisions and practising active ownership.¹

We define ESG factors as follows:

Environmental: Factors relating to a company's interactions with the physical environment. These include but are not limited to climate change; greenhouse gas emissions; biodiversity loss; deforestation; air, water or resource depletion or pollution; waste management; change in land use; and ocean acidification.

Social: Factors relating to business practices that have an impact on the rights, well-being and interests of people and communities. These include but are not limited to human rights; labour standards in the supply chain; child, slave and bond labour; workplace health and safety; freedom of association and freedom of expression; human capital management and employee relations; diversity; relations with local communities (including indigenous communities); activities in conflict zones; health and access to medicine; consumer protection; and controversial weapons.

Governance: Factors relating to the governance of a company. These include but are not limited to board structure, composition, size, diversity, skills and independence; executive pay; shareholder rights; stakeholder interactions; transparency; business ethics; bribery and corruption; internal controls; and conflicts of interest.

¹ Adopted from the UN-PRI definition of responsible investment, <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-is-responsible-investment>

POLICY

We believe that ESG factors can have a material impact on the long-term risk and return of a given investment, and that incorporating relevant and material ESG issues into our decision-making processes is consistent with our fiduciary duty. It is therefore our policy to take ESG matters into account in our investment decisions, together with other relevant and material considerations (i.e., we take an integration approach). Moreover, we believe that, by being active owners through our voting and engagement policies and practices, we can realize greater long-term value for the beneficiaries of the investments that we manage.

This policy is applicable to all assets under our management.

RESPONSIBLE INVESTING PRINCIPLES

In December 2016, UTAM, on behalf of the University of Toronto, became a signatory to the United Nations-supported Principles for Responsible Investment (PRI). The PRI is a set of six aspirational principles designed to encourage and assist investors in integrating ESG issues into their processes. In becoming a signatory, we have made the following commitment:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes, and through time).

We also recognise that applying these principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the six PRI principles listed below.

Guided by these principles in our approach to responsible investing, UTAM undertakes, where relevant and material, the following non-exhaustive list of actions:

Actions

Principle 1:

We will incorporate ESG issues into investment analysis and decision-making processes.

- Assess ESG-related risks across all portfolios.
- Integrate consideration of ESG factors into our external manager selection and monitoring policies and processes, and into other relevant policies and processes.
- Support the development of ESG-related tools, metrics and analyses.
- Encourage academic and other research on ESG integration.
- Provide internal training, and encourage the pursuit of external training on ESG matters for all staff involved in investment decision-making, including our investment professionals, risk management professionals, as well as staff engaged in operational and legal due diligence.
- Endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- Establish a target to decrease the carbon footprint of the Endowment investment portfolio.

Principle 2:

We will be active owners and incorporate ESG issues into our ownership policies and practices.

- Adopt a proxy voting policy that takes into account ESG considerations and apply this, where possible, to all public equity segregated account mandates, as well as to public equity funds in which our client portfolios are the only investors.
- Encourage our investment managers to adopt proxy voting policies that take into account ESG considerations.
- Implement a comprehensive engagement program that includes direct engagements, collaborative engagements, and engagements conducted by a service provider.
- Encourage our investment managers to engage with companies held in their portfolios on ESG matters.
- Engage with governments, regulators and other policymakers on ESG matters, which we refer to as advocacy.
- Support policymaker initiatives that contribute to improved ESG practices, including reporting and disclosures.

Principle 3:

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

- Discuss ESG risks in investment manager portfolios and in relation to particular securities held.
- Ask investment managers to report on ESG-related engagements with companies held in their portfolios.
- Ask investment managers to report on ESG incidents with companies held in their portfolios.
- Support initiatives promoting ESG disclosure by companies.
- Support the CDP's disclosure campaigns for climate, forests, and water.

Actions

Principle 4:

We will promote acceptance and implementation of the Principles within the investment industry.

- Encourage investment managers to become signatories to the PRI.
- Communicate our ESG expectations to managers.
- Support the development of tools for benchmarking ESG integration.
- Support legal, regulatory, and policy developments that enable implementation of the Principles.
- Assume leadership positions in leading responsible investment organisations.
- Speak at conferences, participate in webinars, and publish, or contribute to articles in support of the PRI.

Principle 5:

We will work together to enhance our effectiveness in implementing the Principles.

- Support and participate in networks and information platforms in order to share tools and pool resources.
- Address relevant emerging issues collectively with other asset owners and managers.
- Identify and support appropriate coalitions whose beliefs are aligned with the Principles.

Principle 6:

We will each report on our activities and progress towards implementing the Principles.

- Disclose how ESG issues are integrated within our investment process.
- Disclose active ownership activities (e.g., voting, engagement and advocacy with policymakers).
- Communicate with stakeholders on ESG issues and the Principles.
- Report on progress and achievements relating to the Principles.
- Publish our PRI transparency and assessment reports.
- Publish an annual responsible investing report with details on our responsible investing framework and activities.
- Provide reporting consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

STEWARDSHIP (i.e., ACTIVE OWNERSHIP)

UTAM is committed to being an effective steward of the capital that has been entrusted to us. This means we exercise our shareholder rights taking into account ESG considerations and engage with companies on ESG-related topics, either directly or through various organisations. In both instances, our goal is to improve the management of ESG risks and opportunities at companies held in client portfolios, which we believe is important for long-term outperformance.

In the following sections, we discuss the ways in which we implement proxy voting and undertake engagement and advocacy activities.

Proxy voting

Proxy voting is one of the most important rights available to public equity investors. UTAM's approach to proxy voting reflects our fiduciary duty to act in the best interest of our client. We also expect our third-party investment managers to act in the best interest of their investors when they vote proxies in companies held in any fund in which our client invests. To that end, we routinely review the proxy voting practices of our investment managers as part of our operational due diligence reviews.

In undertaking proxy voting, we consider the following, where applicable:

- ESG factors
- Conflicts of interest
- Share blocking
- Securities lending, including the recall of shares from borrowers in order to vote

As a responsible investor and a PRI signatory, UTAM has adopted the Institutional Shareholder Services (ISS) Sustainability Guidelines for proxy voting, which are consistent with the objectives of investors who take an integration approach to responsible investing. We apply these guidelines wherever possible.

The guidelines, updated annually by ISS and disclosed on our website, reflect the following considerations:

ISS recognizes the growing view among investment professionals that sustainability or environmental, social, and corporate governance (ESG) factors could present material risks to portfolio investments. Whereas investment managers have traditionally analyzed topics such as board accountability and executive compensation to mitigate risk, greater numbers are incorporating ESG performance into their investment-making decisions in order to have a more comprehensive understanding of the overall risk profile of the companies in which they invest to ensure sustainable long-term profitability for their beneficiaries.

Investors concerned with portfolio value preservation and enhancement through the incorporation of sustainability factors can also carry out this active ownership approach through their proxy voting activity. In voting their shares, sustainability-minded investors are concerned not only with economic returns to shareholders and good corporate governance, but also with ensuring [that] corporate activities and practices are aligned with the broader objectives of

society.

These investors seek standardized reporting on ESG issues [and] request information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives including affirmative support for related shareholder resolutions advocating enhanced disclosure and transparency.

ISS has, therefore, developed proxy voting guidelines that are consistent with the objectives of sustainability-minded investors and fiduciaries. On matters of ESG import, ISS' Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labor practices, non-discrimination, and the protection of human rights. Generally, ISS' Sustainability Policy will take as its frame of reference internationally recognized sustainability-related initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), CERES Principles, Global Sullivan Principles, MacBride Principles, and environmental and social European Union Directives. Each of these efforts promotes [sic] a fair, unified and productive reporting and compliance environment which advances positive corporate ESG actions that promote practices that present new opportunities or that mitigate related financial and reputational risks.

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance.³

UTAM applies the following practices to address proxy voting effectively in all the ways we may invest:

Segregated account mandates

Where public equity investments are made through segregated account mandates, proxy voting will be conducted according to the ISS Sustainability Guidelines, with ISS administering the proxy voting process on our behalf. We strive to recall all securities on loan in order to vote.

Customized fund investments

Where public equity investments are made through customized funds created for our client's assets, proxy voting, where possible, will be conducted according to the ISS Sustainability Guidelines, with ISS administering the proxy voting process on our behalf.

Commingled fund investments

Where public equity investments are made through funds with other investors (i.e., commingled or pooled funds), UTAM will not, typically, be able to require the investment manager to implement our proxy voting guidelines. In such

³ <https://www.issgovernance.com/file/policy/active/specialty/Sustainability-US-Voting-Guidelines.pdf>

cases, we will ensure that the manager has an appropriate policy to vote proxies in the best interests of the fund, and, if this is not already the case, we will encourage the manager to consider adopting proxy voting guidelines that integrate ESG considerations.

Engagement

One of the pillars of a best-in-class active ownership approach is engagement with the management and boards of equity and fixed income issuers on ESG considerations. The objectives of engagement include seeking a better understanding of a company's position on various issues and communicating our views with the goal of improving management of ESG risks and opportunities at portfolio companies. We believe that sound management of ESG risks and opportunities is essential for long-term outperformance.

Although, in some situations, we may undertake direct engagements, given our size and our practice of investing through third-party investment managers, we typically undertake engagement activities as part of formal and informal collaborative groups. We believe that the combined influence of like-minded investors with substantial combined holdings will typically lead to better outcomes than we could achieve on our own.

Divestment

From time-to-time, the University of Toronto may take a stance on certain issues, which may lead to UTAM divesting from certain companies or sectors. Moreover, Canadian federal or provincial government regulations may also lead to divestment of certain companies, sectors or countries. Despite any divestment initiatives, where appropriate, UTAM engage with companies directly, through collaborative efforts, or through our engagement service provider. For all of our engagements, we strive to set specific and measurable goals.

Collaborating on Engagements

We participate in formal engagement collaborations through memberships in various organizations, by teaming up with other like-minded investors and by using service providers to engage on our behalf.

We have a consultative process managed by our Responsible Investing Committee to determine the collaborations in which to participate. In order to identify and prioritize collaborative engagements, we use a number of criteria including the value we can add to the collaboration, the materiality of the specific ESG risks to be addressed and the potential impact on client portfolios.

Where we have contracted service providers for engagement activities, we conduct regular discussions with them on engagement priorities, key objectives, progress in meeting those objectives and the outcomes achieved. We endeavour to participate selectively in their engagement activities from time to time.

We monitor all of our collaborative engagement activities to assess their effectiveness.

We regularly report to internal and external stakeholders on the progress of collaborative engagements and may share insights from engagement activities with external investment managers where relevant.

Advocacy

We engage with governments, regulators and other policymakers on ESG matters, and refer to this as advocacy. We pursue advocacy directly or in collaboration with others.

We monitor our advocacy efforts to assess their effectiveness.

We regularly report on the progress of advocacy efforts.

CLIMATE CHANGE

Climate change is one of the most significant issues facing society and the global economy, and will significantly impact the value of many investments. Therefore, following the university's direction, in October 2021, we have committed to take decisive action on climate change by undertaking the following activities:

Carbon Divestment and Net-Zero Commitments

- To divest from all direct investments in fossil fuel companies within 12 months
- To divest from indirect exposure to investments in fossil fuel companies, typically held through pooled and commingled investment vehicles, by 2030
- To allocate 10% of the endowment portfolio (approximately CAD \$400 million) to sustainable and low-carbon investment strategies by 2025
- To continue to engage with current and prospective asset managers to emphasize GHG emissions reduction in their portfolios and climate impact on the real economy
- To aim for net-zero emissions in the endowment portfolio by 2050
- To set five-year targets following the framework developed by the UN-convened Net Zero Asset Owner Alliance
- To work with peer asset owners and investment managers to drive industry-wide commitment to net zero
- To report to stakeholders regularly on the progress towards divestment and net-zero goals

ESG integration

We consider a manager's approach to material environmental, social and governance (ESG) factors, including climate change, when we select, evaluate and monitor our investment managers. This includes considering the GHG emissions associated with their investments.

Engagement

We engage with companies on climate-related issues, either directly or indirectly through collaborations.

Advocacy

We engage with governments, regulators and other policymakers on climate-related matters, and refer to this as advocacy. We pursue advocacy directly or in collaboration with others.

Proxy Voting

In all cases where we have control over how shares are voted (i.e., in segregated account mandates and custom public equity pooled funds), we apply the ISS Sustainability Policy. Under this policy, shareholder proposals are evaluated on a case-by-case basis, and generally support climate change proposals that:

- Seek information on how a company is identifying, measuring and managing climate-related risks
- Call for the reduction of GHG emissions
- Seek information on how a company is responding to regulatory and public pressure on climate change
- Seek information on the research that informed company policy on climate change
- Request a report and/or disclosure of goals on GHG emissions

Supporting the TCFD Recommendations

We support the recommendations⁴ of the Task Force on Climate-related Financial Disclosures (TCFD) and will begin reporting using their framework in 2020. The TCFD recommendations are structured around the following four key areas:

- Governance: The organization's governance around climate-related risks and opportunities
- Strategy: The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning
- Risk Management: The processes used by the organization to identify, assess and manage climate-related risks
- Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities

⁴ <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>

RESPONSIBLE INVESTING GOVERNANCE

We have established an internal Responsible Investing Committee with a mandate to consider all matters relating to the development and implementation of our responsible investing practices. The committee, which is comprised of senior leaders at UTAM, meets quarterly—or more frequently if required—and undertakes the following activities:

- Develops and recommends our Responsible Investing Policy for Management Committee and Board approval
- Sets annual responsible investing objectives, including those specifically related to climate issues
- Identifies and evaluates evolving best practices with respect to responsible investing
- Approves and oversees the implementation of responsible investing practices
- Provides appropriate training for staff
- Develops responsible investing reporting to stakeholders
- Oversees annual PRI reporting
- Considers any other relevant matters

The Committee comprises the following positions:

- President and Chief Investment Officer (Chair)
- Investment Heads
- Chief Risk Officer and Head of Research
- Chief Operating Officer

From time to time, other staff may be invited to participate as members of the Committee.

TRANSPARENCY

We are committed to being transparent with our stakeholders and to regular reporting and disclosure activities that include, but are not limited to, the following:

- Publishing a responsible investing report annually that includes the carbon footprint for the Endowment investment portfolio and reporting based on the TCFD framework
- Reporting proxy voting activities annually
- Publishing our UN-PRI assessment report annually
- Updating our website with responsible investing activities regularly

POLICY REVIEW

This policy is subject to review at least annually.