



Teachers'
Pension Plan
Corporation

NEWFOUNDLAND
& LABRADOR

TRUST. CONFIDENCE. SECURITY.

RESPONSIBLE INVESTING POLICY

Effective March 22, 2023



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1. Introduction

The Newfoundland and Labrador Teachers' Pension Plan (the "Plan") is a jointly sponsored defined benefit registered pension plan that offers its members a lifetime pension benefit when they retire. Member pension benefits are funded by contributions made by them and their employer, as well as investment income generated by the Plan's investment assets.

The Teachers' Pension Plan Corporation's ("TPPC") mission is to provide retirement security and outstanding service for its members – today and well into the future. TPPC is the administrator of the Plan.

In fulfilling its mission, TPPC has a fiduciary responsibility to act in the financial best interest of its members, provide prudent investment management and consider risks that may affect the performance of the Plan. TPPC will consider environmental, social and governance ("ESG") factors that may impact the financial outcomes of the Plan through both risks and investment opportunities.

TPPC believes that meeting its fiduciary obligations can be partially managed through responsible investment, an approach to investing that aims to incorporate any relevant and material ESG factors into investment decisions and capital stewardship.

Since 2018, TPPC has taken a measured and focused approach to progressing its responsible investment practices.

2. Responsible Investment Beliefs and Priorities

Considering ESG factors in investment activities supports risk management as ESG analysis can identify systemic, long-term and unpriced risks. Similarly, companies that manage ESG risks and seek solutions to ESG challenges can create long-term value. Consequently, we believe ESG factors should be considered when making investment decisions as they can impact long-term investment returns. We also seek investment managers who share our beliefs in the importance of responsible investing.

In addition to ESG integration, we also want to engage with our external managers. We believe that ongoing dialogue and engagement are more likely to influence positive change and long-term sustainability and investment results than divestment or negative screening.

TPPC has identified four ESG priorities to focus our investment monitoring and engagement activities:

- Climate change
- Diversity, equity and inclusion
- Labour practices
- Inequality

3. Purpose

The purpose of this Responsible Investing Policy (“Policy”) is to outline how TPPC integrates ESG factors into its investment process. To guide us through the implementation, we use TPPC’s ESG Framework, which focuses on four principles:

1. **Integrate:** Continued integration of ESG within TPPC’s Investment Manager selection and monitoring processes and Investment Manager Governance Framework.
2. **Engage:** Direct engagement (through TPPC’s Investment Managers and proxy voting) and indirect engagement activities.
3. **Inform:** Continuous learning and knowledge transfer regarding ESG trends, integration best practices, etc.
4. **Evolve:** ESG factors and TPPC’s ESG beliefs are not static, requiring continuous review and evolution as needed.

In this Policy we explain how these principles are implemented on a continual basis.

The Policy will evolve as TPPC and our investment managers progress ESG practices.

4. Scope and Applicability

This Policy applies to all investment activities performed within each investment mandate, directly or indirectly, by TPPC, TPP and their service providers.

We are also using this Policy as an inspiration for corporate policies and programs, ensuring consistency between our expectations towards investments and our own behaviours as an organization and an employer.

5. ESG Integration in Investment Process

We are progressively integrating ESG factors and priorities into our investment processes.

TPPC's investments are managed externally by various investment management firms. As stated in Principle 1 of TPPC's ESG Framework, ESG considerations are applied in the due diligence process used to select and appoint external managers, which includes reviewing how they identify, assess and manage ESG risks and opportunities for investments in their portfolio.

TPPC also integrates ESG considerations in its external investment manager monitoring process using ESG specific questionnaires to gather and document information. We consider and assess, where relevant, the ESG policies and practices of those firms and will engage with them on a regular basis on ESG related topics. ESG related topics are discussed as a matter of due course during our meetings with investment managers and the portfolios they manage for the TPP. We require them to report to us on a regular basis and review this information.

TPPC does not apply exclusions to its investments. We believe that we can have a greater impact by engaging with our external managers rather than negatively screening investments.

6. ESG Integration in Capital Stewardship

Being good stewards of the capital with which we are entrusted is a way to promote the creation of long-term sustainable value. We believe that integrating ESG factors throughout the investment period is an effective way of doing that.

Our stewardship approach is adapted to the asset class, the nature of the market (private or public) and ownership structure.

For investments made in public equities, TPPC's investment managers are delegated voting rights, which are to be cast based on the manager's proxy voting policies and the Investment Management Agreement between the manager and TPPC. We monitor manager activity at the investment level and require investment managers to report on proxy voting activity at least annually. We also reserve the right to direct managers with investment management agreements to vote in a specified manner.

As active stewards of capital, TPPC engages with external managers to improve ESG performance and influence corporate behaviour in our investee companies. We also engage indirectly with investee companies through our membership in the Canadian Coalition for Good Governance ("CCGG"). TPPC receives information on a regular basis on

engagement activities from CCGG and investment managers and provides input into those processes.

For investments made in the private markets, TPPC monitors investment manager activity through quarterly and annual reporting which is supplemented by ongoing manager dialogue, participation at fund annual general meetings, and in some instances, through our participation on fund advisory boards and committees.

Finally, during the manager due diligence and selection processes, TPPC will assess whether external investment managers have, or are planning to, adopt capital stewardship programs.

TPPC's stewardship activities continue to evolve and adapt as TPPC progresses on its ESG journey.

7. Collaboration

TPPC is collaborating on responsible investment with peers and other investment industry stakeholders through direct conversations and through association activities and working groups. TPPC is a member of the following organizations:

- Canadian Coalition for Good Governance
- Pension Investment Association of Canada ("PIAC")

TPPC will seek to identify other relevant organizations and associations and collaborate with peer organizations as it progresses its ESG journey.

8. Reporting and Communications

We are tracking and reviewing the various activities presented in this Policy and report progress on the implementation of this Policy on an annual basis to the Board of Directors (the "Board") and the Investment Committee. In addition, during the Board's annual meeting with the Sponsor Body, an update will be provided on our ESG progress.

9. Roles and Responsibilities

TPPC's Board and Investment Committee are responsible for the approval and oversight of this Policy. The Board has overall responsibility for all investment activities of the Plan. TPPC's Management (the Chief Executive Officer and the Chief Investment Officer) are



responsible for the implementation and management of this Policy. Management provides an annual update to the Board and Investment Committee describing how ESG considerations were integrated into the administration, execution, and operation of investment activities. Continuous learning and knowledge transfer regarding ESG trends and integration best practices is a principle of our ESG Framework. We are providing regular updates and periodic training opportunities on various ESG related topics to our investment staff, Board and Investment Committee members. Our responsible investment approach is also included in our staff and Board member onboarding training.

10. Policy Review

The Board shall review and approve the Policy at least annually. Notwithstanding the minimum review requirement, the Policy may be changed or modified at any time by the Board.

