Halifax Regional Municipality Pension Plan

Responsible Investment Policy

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1. Introduction

The Halifax Regional Municipality Pension Plan (the "Plan") is a contributory defined benefit plan that provides retirement benefits to its plan members across the Halifax Regional Municipality.[1] As a fiduciary, the Plan strives to maximize the long-term investment returns without undue risk of loss such that the Plan's long-term commitments are deliverable. The Plan also recognizes its responsibility to its members, employees, communities, and the environment to operate and manage its investments in an ethical and sustainable manner.

This Policy clarifies the Plan's beliefs and approach to responsible investment. As practices evolve, this Policy will be updated accordingly.

2. Responsible Investment Beliefs

The Plan believes the environmental, social and governance ("ESG") factors are complementary to traditional investment analysis and should be considered throughout its investment activities. Considering ESG risks and opportunities will become more material in the long-term, and as a long-term investor, these need to be effectively managed to successfully deliver sufficient returns to satisfy its liabilities. Additionally, the Plan believes that effective management of ESG factors, combined with active ownership practices, can positively influence long-term investment performance.

Together, strong responsible investment practices support the Plan's fiduciary responsibility to members, while also providing benefits to a broader group of stakeholders who may be impacted by the Plan's investment activities.

[1] For additional information regarding the Plan and its activities, please see the most recent Annual Report.

3. Purpose and scope of this policy

This Responsible Investment Policy describes the Plan's Responsible Investment ("RI") beliefs and approach towards incorporating ESG factors into its investment management and stewardship activities. It is intended to support the Plan's primary mandate of providing benefits to Plan members by informing and guiding the Plan's RI activities to effectively manage ESG risks and opportunities throughout its portfolio and provide stable risk-adjusted returns. The Plan believes that strong RI practices support sound investment decision-making, including the selection, appointment and monitoring of investment managers.

This Policy also outlines the roles and responsibilities associated with overseeing and implementing the RI practices detailed below. As RI practices evolve over time, the Plan's RI Policy and approach will continue to develop in order to better manage ESG risks and opportunities and align with industry practices. The Plan will communicate these updates to members and other interested stakeholders accordingly.

This policy applies to all investment activities and should be applied in a manner which is consistent with all other Plan policies (including its Statement of Investment Policies and Procedures) and legal obligations, including its fiduciary duty to members.

4. Definitions

<u>Environmental, Social and Governance (ESG) factors</u>: describes a broad range of topics that relate to businesses' real-world impacts on society and nature and how these are governed. They are some of the most important drivers of change in the world today and carry significant implications for businesses and investors.

Below are some examples of ESG factors that may be considered by the Plan:

Environmental:

- Biodiversity loss
- Greenhouse gas (GHG) emissions
- Climate change
- Renewable energy and energy efficiency
- Air, water or resource depletion or pollution
- Waste management

Social:

- Community relations
- Child, slave and bonded labour
- Equity, diversity and inclusion
- Freedom of association and expression
- Human capital management
- Human rights
- Labour standards (both directly and in supply chains)
- Workplace health and safety

Governance:

- Board structure, size, diversity, skills and independence
- Bribery and corruption
- Business ethics
- Executive pay
- Internal controls and risk management
- Oversight of ESG-related issues
- Shareholder rights
- Stakeholder interaction and disclosure of information

Responsible Investment (RI): the strategy and practice of incorporating ESG factors into investment decisions and active ownership.

Stewardship: the use of influence by institutional investors to maximize overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend. Sometimes referred to as 'active ownership', it entails voting proxies for public market investments and either direct or collaborative engagements with investment managers and or companies to improve their ESG performance.

5. Approach

Consistent with the Plan's responsible investment beliefs, the Plan aims to identify material ESG factors pertinent to its investments and integrate these into its investment management and stewardship activities. It does so through the following areas:

5.1. **ESG Governance & Oversight**

The Plan's Chief Executive Officer (CEO) reports directly to the Pension Committee and holds a mandate that includes oversight of the Plan's investment portfolio, administration practices and of the Pension Office as a whole. The CEO is responsible for guiding the strategic direction of the Plan, including developing and implementing the Responsible Investment Policy and overseeing its implementation. The Pension Committee is responsible for approving the RI Policy and receives annual updates regarding the Plan's RI objectives and progress towards achieving them, as well as annual training sessions on emerging RI trends and best practices.

The implementation of the Plan's RI activities is the responsibility of the Pension Plan Office, led by the Plan's CEO. The Plan's investment team is accountable for integrating ESG considerations into its activities. The investment team and other senior management receive periodic training on responsible investment practices.

5.2. **ESG Integration**

The Plan aims to ensure that material ESG factors are considered during all stages of the investment cycle. The relative importance of ESG will vary based on factors such as asset class, geography, and economic sector. Accordingly, the investment team conducts research and analysis to identify the most material ESG issues of the investment portfolio and prioritize these. This research is informed by industry best practices and standards, including the UN Principles for Responsible Investment (PRI).

External Investment Managers

The Plan utilizes in large part an externally managed investment approach, in which mandates are entered into with various investment managers to provide the Plan with exposure to a diversity of investment strategies, asset classes, geographies and economic sectors. The Plan's investment managers therefore play a crucial role in the integration of ESG issues into the Plan's investment activities. The Plan incorporates the evaluation of investment managers' RI strategies in its selection, appointment and ongoing monitoring activities.

When conducting due diligence on prospective managers, the investment team reviews managers' policies and commitments, resourcing, investment approach, stewardship activities, performance measurement and reporting. Through this process, the Plan seeks to evaluate managers' responsible investment maturity and factor this into selection criteria, alongside traditional financial considerations. The investment team also reviews managers' underlying portfolio holdings to assess potential exposure to material ESG risks.

When entering new mandates with investment managers, the Plan seeks to include responsible investment requirements, such as ESG reporting, wherever possible. For pooled and commingled mandates, the Plan uses its influence to advocate for managers to adopt responsible investment practices.

To support the ongoing monitoring of the Plan's ESG performance, investment managers are requested to provide information, which may include quantitative performance metrics, engagement activities and proxy voting records. This information is used to inform regular engagements with managers and advocate that they integrate ESG factors into their investment management processes, stewardship activities and reporting practices. Annually, the Plan will review this information to assess its investment managers' overall management of ESG risks and opportunities. The investment team may also identify specific securities or holdings that present heightened ESG risks and discuss with investment managers their justifications for holding these investments and plans to manage associated ESG risks.

The Plan believes it is important to recognize that its investment managers vary in terms of organizational size and maturity regarding their responsible investment practices. As such, the Plan encourages its managers to pursue continual improvement over time. However, if improvements do not occur after a rigorous process of engagement, the Plan may seek to end its mandate with an investment manager if the investment team determines that it poses undue risk to the Plan.

5.3. Stewardship

Proxy Voting

Voting at shareholder meetings is an important way that investors can use their influence to advocate for responsible business practices that support long-term value creation. The Plan has delegated voting rights to its public investment managers. Managers are required to vote in favour of any proposal which, in their opinion, will enhance the investment value of the relevant security, and against any proposals that will introduce unacceptable risk or reduce the investment value of the relevant security. This includes proposals related to ESG-issues, which could positively or negatively impact the long-term value of the issuer. The Plan incorporates investment managers' voting records into its ongoing monitoring practices and uses this information to inform its regular engagements with investment managers.

Engagement

The Plan believes that engaging in dialogue with companies to develop relationships, communicate concerns, ask for more information or suggest improvements is a powerful lever for change. Engagement with individual investments is conducted by the Plan's investment managers, who identify issues that they believe could impact long-term value. The Plan is supportive of investment managers participating in constructive dialogue with issuers and portfolio companies and requests information about these engagements as part of the Plan's monitoring activities.

At its own discretion, the Plan may seek to participate in collaborating investor initiatives to achieve greater influence and achieve positive real-world ESG impacts.

6. Reporting and Communication

The Plan will report on its responsible investment activities to the Pension Committee and members annually.

7. Policy Approval & Review

The Pension Committee has approved this Policy and the Plan's CEO and Investment Team are responsible for overseeing its implementation. The CEO will report to the Pension Committee on the Plan's adherence to the Policy annually.

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