

Responsible investing and the Western Pension Plans: Questions and Answers from the Panel Discussion May 5, 2022

Background: On May 5, 2022 the Western pension plans hosted a panel discussion on responsible investing. This document contains the questions received during that session. Questions 1-5 were answered live, and supplemental information has been added here where noted. Questions 6-12 were not answered live due to time; responses have been included for completeness.

Panelists:

Tom Keenleyside, Associate Director, Investments, Western

Eric Mooney, Investment Solutions Executive, Sun Life

Ryan Pollice, Principal, Investment Consulting, Mercer

Moderator: Cara Bourdeau, Sr. Human Resources Consultant, Western

Q1. Can I choose a fund for my pension which doesn't follow this responsible investing virtue signaling, and instead meets your fiduciary duty to maximize growth?

A1.

Cara: In the polling responses on interest in different approaches to incorporating ESG we saw that not everybody is interested in this information being part of the consideration in investment choices.

Tom: We do have growth-oriented strategies built into our Diversified Equity Fund and you can get exposure to growth through that. And even within that strategy that manager does integrate ESG; there are examples where they haven't invested in companies specifically for ESG reasons.

A1. Additional Comments

The Western Pension Boards' fiduciary duties are to act in the best interest of plan members in supporting the accumulation of retirement savings and they are guided by the following principles:

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Q2. Do fund managers proxy vote based on ideology or based on maximizing return on investment?

A2.

depth ESG questionnaire which facilitates greater transparency into this area, including Equity, Diversity and Inclusion (EDI) and seeks specific examples of actions taken to apply ESG policy and improve ESG and EDI.

How profitable are ESG funds in general, or are ESG funds more of a longer-term investment? As in bad and low for the short term? I had a related question about how our ESG fund has performed compared to other funds.

A4.

Tom: I don't have the performance numbers in front of me. I'll look that up on Google Jack Todd

Eric: You know this website that we have launched that's available to plan members now we do link to a study of one thousand studies from New York University, where they did examine the performance of managers that integrated ESG versus ones that did not and they did find that over the long-term horizon funds that integrated ESG did tend to out-perform; they did do a better job of protecting on the downside during social or economic crisis, and they out-perform negative screening approaches, those screening and divestment style funds, ESG integration outperformed that as well. So there is a link to that on the plan member website [www.mysunlife.ca/western > my plan > Resource Centre > Sustainable investing], where you can read the studies and the factors that go along on this.

Since many funds integrate ESG factors, the performance of ESG is difficult to set apart. Here is the performance of some of the globally diversified funds available under the Western pension plans as at December 31, 2021 (returns are gross of fees).

FUND	\$ assets (in millions)	% of total plan assets	FMF*	1 year	3 year	5 year	10 year
Socially Responsible Global Equity Fund	\$23.9	1.7%					

A5.

A8. Regenerative finance/investing focuses on the circular economy and creating health and equitable social and environmental systems. It is a relatively new investment area. For some active in his area, there is a desire to make positive change possible, with the financial return as a by-product or secondary objective. In that sense it is different from sustainability-focused funds as well as impact investment funds who target both the financial return on capital and positive social or environmental impacts. Our discussion within the pension plans has used the language of Sustainability-focused funds. These funds are diversified, targeting a competitive rate of return and risk profile and are often invested in specific areas such as renewable energy, waste and water management, sustainable forestry and agriculture. These funds are just starting to emerge as options for investors and could be considered in the future is deemed beneficial and prudent to plan members. We continue to work with our providers to evaluate the suitability of any new investment funds for our plan.

Q9 @ -being of our planet to prosper, or humanity could be in trouble regarding, air, water, food sources. But how does that translate into investment

A9. There is supporting evidence that that these investment thesis can also provide a financial return in addition to social and environmental returns. During the panel discussion Eric mentioned a research initiative of over 1,000 studies. This comprehensive review was undertaken by the NYU Stern Center for Sustainable Business, in collaboration with Rockefeller Asset Management and Casey Clark, CFA (MBA '17) to examine the relationship between ESG and financial performance in more than 1,000 research papers from 2015 – 2020. The full report is available from the link below and through the Sun Life plan member website, under Resource Centre > Sustainable investing.

From the press release in February, 2021

"We've seen an exponential increase in ESG and impact investing as evidence builds that business strategy focused on material ESG issues goes hand-in-hand with high-quality

of NYU Stern's Center for Sustainable Business.

The authors surveyed 1,141 peer-reviewed papers and 27 meta-reviews (based on ~1,400

Center's new ROSI™ Research Database. Six key takeaways fs1*5o5BDC q0.00000912 0 6127A0176>3@cC114(f*q0.

proprietary systems for evaluating ESG. Discussion of the approaches form part of the ESG discussion in each investment manager review conducted by the Boards.