iA Financial Group

#1 in net sales of segregated funds in Canada since 2016

RESPONSIBLE INVESTMENTS

Investing for a sustainable world

Responsible investing (RI) is growing in popularity as more investors realize that they can align their portfolios with their personal sustainability values.

What is responsible investment (RI) or sustainable investment?

Responsible investment applies sustainable development principles to financial investments. The integration of environmental, social and governance (ESG) factors into investment decisions can help reduce risks and identify opportunities that may not always be visible with traditional financial metrics alone.

Sustainable or responsible investing (RI) has been a niche market for several years. Investors now want sustainable investment options to make a positive impact and support responsible companies.

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To learn more about responsible investing or ESG funds offered by iA Financial Group, visit

ia.ca/responsible-investment

or talk to your financial security advisor.

Making sense of responsible investing

There are many terms used: ESG, thematic, ethical, inclusion and exclusion, etc. Each strategy has its own meaning. There is no "one-size-fits-all" strategy for responsible investing and generally one or more of these strategies are used.

<table>
<tr><th></th><th rowspan="3">Traditional investment</th><th colspan="6">Responsible and ethical investment</th><th rowspan="3">Philanthropy</th></tr>
<tr><th></th><th rowspan="2">ESG integration*</th><th rowspan="2">Negative screening</th><th rowspan="2">Positive or best-in-class screening</th><th rowspan="2">Thematic/ sustainability themed investments</th><th colspan="2">Impact investing</th></tr>
<tr><th></th><th>Market rate</th><th>Concessionary rate</th></tr>
<tr><td>Focus</td><td>Limited or no regard for environmental, social and governance (ESG) factors</td><td>Explicitly embedding ESG factors into traditional financial analysis when assessing a company's value</td><td>Exclusion of certain industry sectors or companies from a portfolio, typically based on ethical or moral criteria</td><td>Inclusion of certain companies into a portfolio based on positive ESG performance compared to industry peers</td><td>Investments in ESG themes such as women in leadership, clean technology, alternative energy, cybersecurity, etc.</td><td>Investments that target social and environmental impacts and deliver market rate financial returns</td><td>Investments that target social and environmental impacts and deliver below market rate returns</td><td>Grants that target positive social and environmental impacts with no financial return</td></tr>
<tr><td rowspan="2">Impact intention</td><td rowspan="2">Agnostic</td><td rowspan="2" colspan="2">Avoids harm</td><td colspan="5">Benefits stakeholders</td></tr>
<tr><td></td><td colspan="4">Contributes to solutions</td></tr>
<tr><td rowspan="5">Features</td><td colspan="6">Delivers competitive financial returns</td><td colspan="2"></td></tr>
<tr><td></td><td colspan="5">Manages ESG risk</td><td colspan="2"></td></tr>
<tr><td colspan="3"></td><td colspan="4">Pursues ESG opportunities</td><td></td></tr>
<tr><td colspan="4"></td><td colspan="3">Intentionality: delivery of impact is central to underlying asset/investment</td><td></td></tr>
<tr><td colspan="4"></td><td colspan="3">Impact of investment is measured and reported</td><td></td></tr>
</table>

* Including shareholder engagement and voting

Stock selection: Why combine ESG factors with financial analysis?

Not all funds billed as socially responsible are created equal. In general, our portfolio managers use an integrated approach that seamlessly combines analysis of environmental performance, social responsibility and corporate governance (ESG) with fundamental financial analysis.

To qualify for inclusion in one of our ESG funds, a security, whether corporate or government-issued, must satisfy the stringent requirements of the following criteria:

1. Financial analysis ($)

Several financial parameters are assessed in addition to analysis of business models, competitive advantages and quality of the management team.

2. ESG analysis

ESG analysis helps to identify risks and opportunities that are not always visible with traditional financial parameters alone. It's a good indicator for identifying strong and successful companies that can weather the storms. ESG analysis specialists evaluate companies' practices based on the following factors:

Environmental	**Environmental protection**	Fight against climate change	Resource sustainability	Pollution reduction
Social	**Relationships with employees, clients and communities**	Work conditions	Health and safety	Respect for local communities
Governance	**Governance practices**	Executive compensation	Anti-corruption practices	Board of director diversity

Four stakeholders in ESG factors

ESG factors are examined through the eyes of four key stakeholders: **shareholders, customers, employees and communities**. The interests of these stakeholders must be balanced with environmental performance, social responsibility, corporate governance and the drive for profit.

Shareholders

Corporate governance

Code of ethics

Diversity of the board

Communities

Community relations

Environmental performance

Human rights

ESG factors

Customers

Sustainable development

Quality of life

Employees

Employee relations

Diversity

Pension plan

Programs that contribute to wellbeing

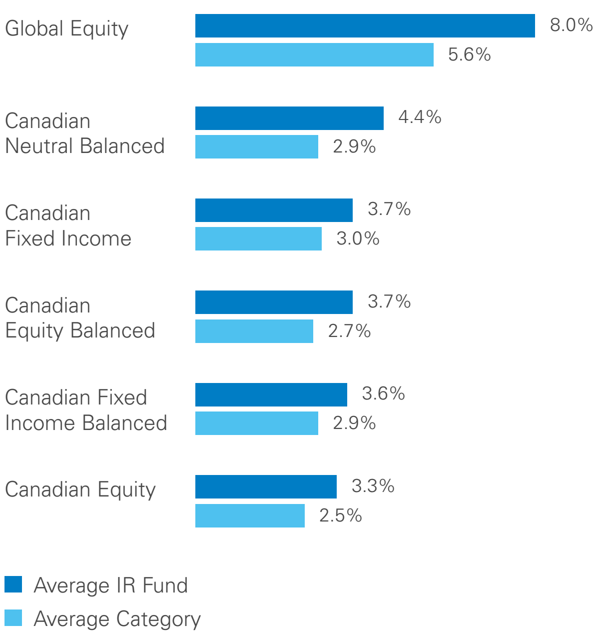
Two common myths

Myth #1:
If I invest sustainably, I'll have to sacrifice performance

FALSE

Sustainable investing is not an "OR" but an "AND"; choosing this type of investment can generate better financial returns than the non-sustainable benchmark indices AND have a concrete social and environmental impact.

Responsible investment (RI) fund performance
5-year annualized returns (select categories)



Source: Responsible Investment Association, June 30, 2020.

Myth #2:
ESG or sustainable funds are just a fad for millennials

FALSE

The interest is very real. According to a recent study:

99% ↑ 15 points

of millennials said they were somewhat or very interested in sustainable investing, representing an increase of 15 points since 2015.

79% ↑ 8 points

In the general population, interest was at 79% - an increase of 8 points since 2015.

The portfolio percentage currently invested in sustainable investments is

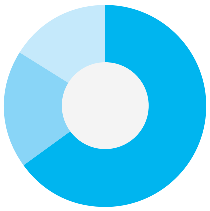
59% for millennials

53% for the general population

Source: Morgan Stanley Institute for Sustainable Investing 2021

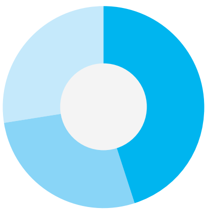
Seven ESG segregated funds offered by iA Financial Group

Our three Vancity managed solutions



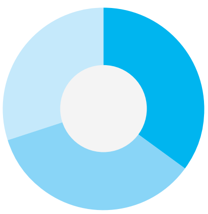
SRI Moderate (Inhance)

- 65.0% Fixed income
- 19.0% Global equities
- 16.0% Canadian equities



SRI Balanced (Inhance)

- 45.0% Fixed income
- 27.5% Global equities
- 27.5% Canadian equities



SRI Growth (Inhance)

- 35.0% Fixed income
- 35.0% Canadian equities
- 30.0% Global equities

Why choose Vancity as our ESG managed solutions fund manager?

— **Expertise:** Vancity launched Canada's first SRI fund in 1986.

— **Visionary:** The first manager in Canada to adopt the United Nations Principles for Responsible Investment (PRI).

The SRI (Inhance) funds...

— Are turnkey solutions for investors who want to invest responsibly while pursuing their financial objectives

— Combine analysis of environmental, social and governance (ESG) factors with fundamental financial analysis

— Are supported by iAGAM teams led by Tej Rai (asset allocation) and Sébastien Mc Mahon (economics) working in close collaboration to optimize portfolio composition for this managed solution.

Companies are assessed based on seven main ESG criteria

1. Governance
2. Environmental leadership
3. Employee relations
4. Employee diversity
5. Community relations
6. Human rights
7. Product sustainability

Each criterion is evaluated as a strength, neutral point or weakness.

Lead portfolio managers

Jeffrey Adams, CFA, CIM, RIS

— Director and Portfolio Manager

— Joined Vancity in 2019

— Member of the Investment Committee

— BA in Economics from the University of Calgary

Wes Dearborn, CFA

— Portfolio Manager, Fixed Income

— Joined Vancity in 2019

— Member of the Investment Committee

— Bachelor's degree in Business Administration (Finance) from Brock University

Marc Sheard, CFA

— Portfolio Manager, Equities

— Joined Vancity in 2021

— Honours Commerce Degree from McMaster University

Exclusion criteria

Vancity does not invest in companies whose primary line of business involves:

Fossil fuels	Military weapons
Tobacco	Adult entertainment
Nuclear power	Gambling

Inclusion criteria

Conversely, Vancity seeks to invest in progressive companies in areas such as development of renewable energy, water treatment infrastructure or cures for deadly diseases.

Specifically, for fixed-income securities, Vancity aims to invest in:

— **"Green" Bonds** where the proceeds are used exclusively to finance projects that contribute to environmental sustainability (clean transportation, energy efficiency or conservation, etc.).

— **Social Impact Bonds**, where the proceeds are used to finance projects that have positive social outcomes (affordable housing, basic infrastructure, poverty reduction, food security).

Four new ESG funds

Sustainable balanced Portfolio (iA)

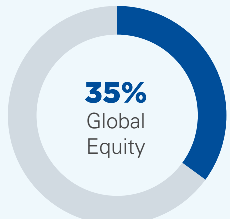
Your "all-in-one" ESG solution

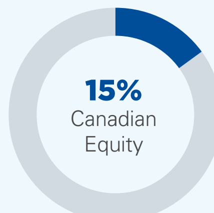
A diversified approach focused on sustainable investment (ESG funds, green bonds, climate, etc.) with active management of asset allocation based on economic and market forecasts.

Lead portfolio managers

Sébastien Mc Mahon, PRM, CFA

Tejsvi Rai





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Sustainable Canadian Equity (iA)

A unique strategy

Supporting Canadian leaders applying sustainable investment best practices (80%) as well as ESG solutions (20%).

Lead portfolio manager

David Caron, M. Sc., CFA

Co-portfolio manager

Marc Gagnon, MBA, CFA

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Fidelity climate leadership balanced™

Making a positive contribution to the fight against climate change

A balanced investment approach focused on climate (decarbonization).

Combination of two distinct strategies (equity + fixed income) that reduce risks or benefit from opportunities related to climate issues.

Lead portfolio managers

Hugo Lavallée, CFA

Kris Atkinson, CFA

Sajiv Vaid

60% equities
Fidelity Climate Leadership™

40% fixed income
Fidelity Climate Leadership Bond™

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WELLINGTON MANAGEMENT®

Climate strategy (Wellington)

Strategy not currently offered elsewhere in Canada.

A global equity strategy where climate is a return opportunity and not merely a cost or risk to avoid

The Fund's securities offer an attractive combination of materiality and financial appeal.

Portfolio manager

Alan T. Hsu

Investment strategy focused on five main categories:

- Low-carbon electricity
- Energy efficiency
- Low-carbon transport
- Water and resource management
- Climate-resilient infrastructure

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Ensuring companies remain responsible: From dialogue to action

Companies are monitored daily to ensure continued alignment with our ESG factors. Significant changes or developments within the company and exposure to emerging risks or serious incidents of concern generate alerts through aggregated media-monitoring technologies.

When companies appear to deviate from these standards, the portfolio managers actively engage with management, either one-on-one or together with other shareholders or stakeholders.

Active engagement with companies to achieve positive results

Portfolio managers also actively engage with industry leaders to encourage them to elevate their commitment to ESG. The goal is to create a positive ripple effect across the broader industry.

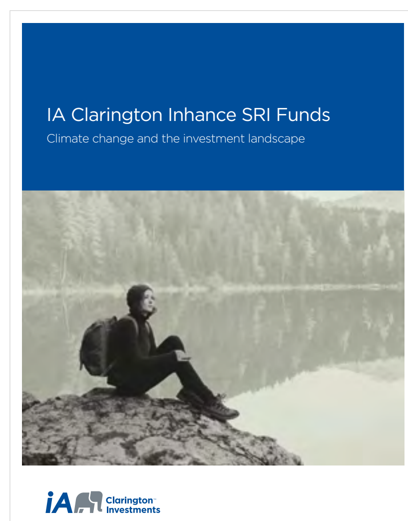
Examples of Vancity's shareholder engagement initiatives can be found in the below documents from our investment fund subsidiary iA Clarington.

Dialogue to Action

Consult the document

Fossil Fuel Free Investment Solutions

Consult the document



Climate change and the investment landscape

Consult the document

What about the Principles for Responsible Investment (PRI)?

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. These principles have won the support of a global base of signatories representing the majority of professionally managed assets.

The six Principles for Responsible Investment (PRI):

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Almost all of our external managers are PRI signatories.

iA Global Asset Management
Fidelity Investments
Vancity
PIMCO
BlackRock
CIBC Asset Management
Loomis | Sayles
Jarislowsky Fraser Global Investment Management
Dynamic Funds Invest with advice.
QV Investors Inc.
Wellington Management

PRI Principles for Responsible Investment
United Nations Global Compact

Taking positive, united action: Much more than a fund offering for iA!

Did you know that iA Financial Group adheres to a sustainable development strategy?

Our sustainable development strategy rests on the following eight components:

Beyond the socially responsible investment funds offered by iA Financial Group, sustainable development is about values. As an organization, our role is to serve the interests of all our stakeholders—our clients, our employees, our communities and our shareholders. In providing balanced support for each of these actors, we create long-term value.

Discover in the following report the solutions we have put in place and are measuring to ensure that we live in the most beneficial environment possible, now and for generations to come.

As of January 1, 2020, iA Financial Group is carbon neutral!

For more details, visit our website at ia.ca/sustainable-development

Investing according to your values

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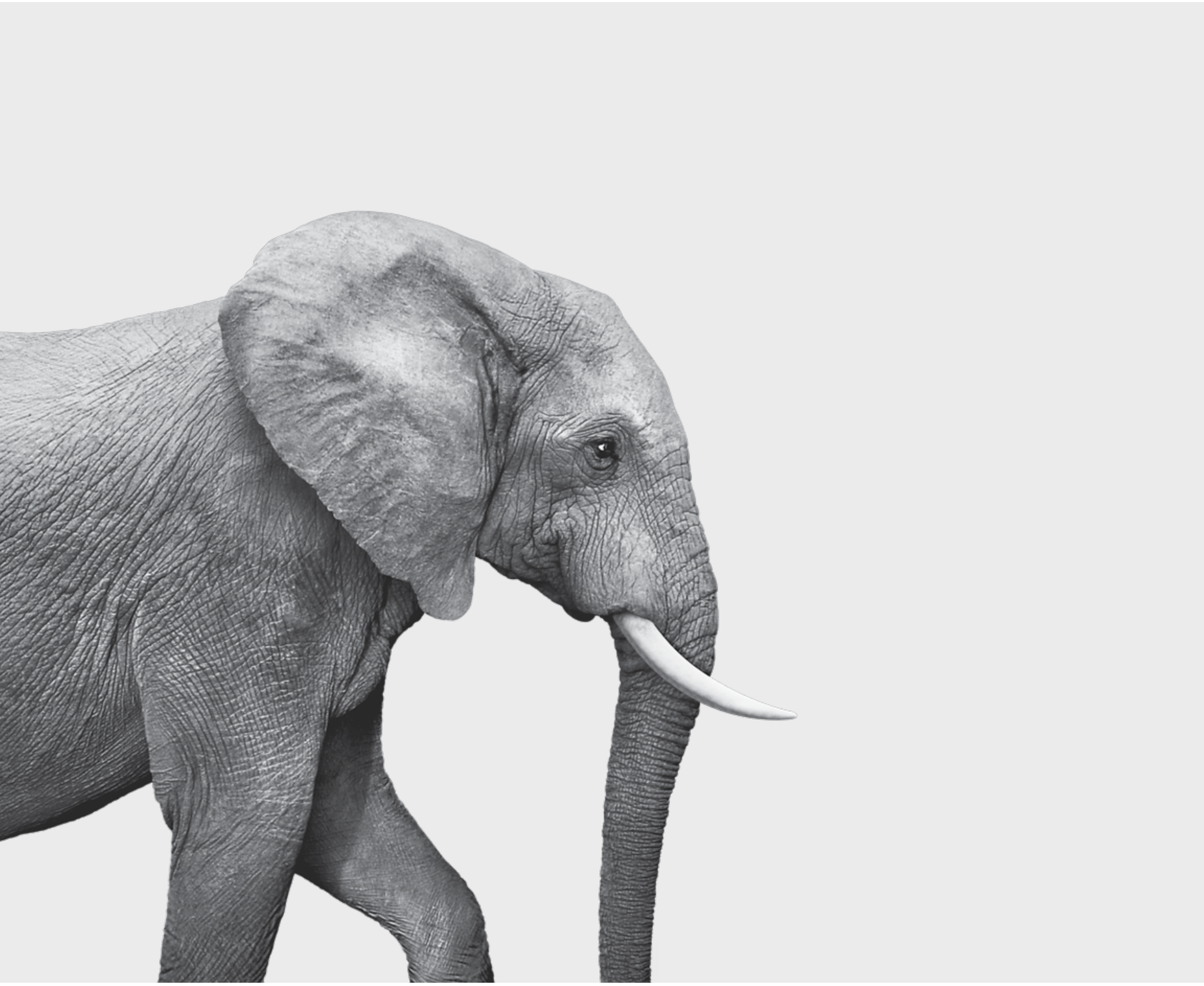

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