



TEACHERS' RETIREMENT
ALLOWANCES FUND

RESPONSIBLE INVESTING

SERVING TEACHERS
PAST · PRESENT · FUTURE

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Responsible Investing

This policy sets out the beliefs of the Teachers' Retirement Allowances Fund (TRAF) with respect to responsible investing and describes the general principles by which environmental, social and governance (ESG) factors are considered in TRAF's investment activities.

BACKGROUND

TRAF is responsible to manage the investment assets that support the pension plan for the public school teachers of Manitoba. The investment portfolio is globally diversified across a wide range of asset classes. In managing this portfolio, TRAF does not exclude an investment based on any single factor or circumstance. Rather, many factors, both financial and non-financial, are considered when evaluating opportunities to earn the long-term returns required to support the plan's sustainability.

As specified in the *Statement of Investment Policies & Procedures* (SIP&P), it is the position of the Board and the Investment Committee that TRAF's assets should generally be managed by external investment firms that have the necessary resources and experience. Accordingly, TRAF's investment staff does not directly select individual securities. The role of TRAF's investment staff is to establish the allocations to these managers and then closely monitor their performance.

In public markets, TRAF engages external managers who use a combination of active and passive investment strategies

implemented through pooled funds or segregated accounts. Passive strategies involve replicating the performance of certain commonly accepted benchmarks, which may include ownership of securities issued by various corporations or governments. For active strategies, investment managers seek to outperform a specific market benchmark by owning a broadly diversified but unique portfolio. In some cases, active strategies may consist of hundreds or possibly even thousands of securities chosen by an automated process. In such instances, the motivation for owning a particular security may not necessarily be related to the business of that corporation, but rather some other characteristic that is relevant to the expected return of the security, such as its valuation.

TRAF typically invests in private markets through commingled funds, where investments are normally not known at the time of a commitment. These funds are referred to as "blind pools." In addition to these fund investments, TRAF may be presented with co-investment opportunities from time to time. In these cases, TRAF will invest in a known asset alongside one or more lead investors on substantially the same terms and conditions.

ESG FACTORS

When assessing ESG factors, TRAF takes a broad perspective and considers many factors that are often inter-related. This list is by no means exhaustive, but is intended to illustrate just some of the factors that may be relevant to investment decisions.

ENVIRONMENTAL

- Climate change
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity

SOCIAL

- Customer satisfaction
- Data protection and privacy
- Diversity and inclusion
- Employee engagement
- Community relations
- Human rights
- Labour standards

GOVERNANCE

- Board composition
- Audit committee structure
- Bribery and corruption
- Executive compensation
- Lobbying
- Political contributions
- Whistleblower policies

Source: CFA Institute

Across both public and private markets, TRAF generally delegates the due diligence and selection of individual investments to these external investment managers. As such, depending on the objectives and structure of its external manager relationships, TRAF may have varying ability to influence or control the exact investments that are undertaken and the degree to which ESG factors are considered.

This policy is designed to reflect and accommodate TRAF's investment program.

GENERAL PRINCIPLES AND BELIEFS

As a fiduciary, TRAF is held to high standards of investment behaviour. Each investment must be consistent with the objectives as set out in the SIP&P, which is reviewed and approved annually by the Investment Committee and Board.

The SIP&P recognizes that investment risk can and should be reduced through a balanced investment program. Accordingly, TRAF's investment program emphasizes diversification across asset classes, investment managers, geographies, sectors and individual securities. As a result, TRAF is invested in a broad range of countries and sectors of the global economy.

No exclusions

TRAF does not exclude investments based solely on environmental, social, governance, moral or political issues. While the exclusion of investments for such reasons may be permitted under certain circumstances, the implementation of such a program by an institutional investor such as TRAF, which represents thousands of beneficiaries with a wide range of personal beliefs, can be extremely difficult, if not impossible. Exclusions also serve to reduce the investable universe,

which can have a negative impact on the goal of being broadly diversified across countries and sectors. As a result, the Board has not adopted any policies that would exclude any particular investment(s).

Focus on ESG factors

While TRAF does not exclude investments based on any single factor or circumstance, many factors, both financial and non-financial, are considered when evaluating opportunities to earn the long-term returns that are required to support the sustainability of the plan.

In this regard, TRAF believes entities that are mindful of, and responsive to, ESG factors will generally perform better over the long term. As TRAF does not invest directly, we encourage third-party investment managers engaged by TRAF to incorporate an assessment of ESG factors into their investment decisions made on our behalf.

It is TRAF's belief that engaging with entities in which we hold an investment regarding ESG factors is a more effective method of achieving positive change than divestment. Engagement activities primarily involve exercising our voting rights attached to all securities, supporting shareholders' proposals that seek action with respect to ESG risks and the disclosure of information related to ESG factors.

TRAF will apply these general principles and beliefs at all times in managing the investment portfolio. This includes:

- considering ESG factors in investment decisions;
- taking a responsible approach to shareholder voting; and
- collaborating with other institutions to promote greater consideration of ESG risks.

INTEGRATING ESG FACTORS

TRAF integrates ESG factors into the investment process to allow for a more comprehensive understanding of the risks and opportunities of an investment. ESG factors can represent risks to the long-term success and sustainability of an investment, but can also present competitive advantages if managed well. The relevance of ESG factors can differ depending on the investment, sector, asset class, time horizon and strategy.

TRAF's approach to integrating ESG factors into decision-making depends to some degree on how such decisions are implemented – either by delegating investment decisions to an external manager or by making specific co-investments alongside such managers.

Externally managed investments

Prior to delegating discretionary investment authority to an external manager, staff assess such manager's approach to incorporating ESG factors into their investment process. This may include assessing the manager's ESG or responsible investing policies, assessing the integration of ESG factors into the manager's investment process and evaluating the manager's participation in various responsible investing or ESG-focused industry associations, such as the UN Principles of Responsible Investing (UN PRI). Once engaged, staff regularly monitor external managers regarding the application of responsible investing policies and any changes to such policies.

While TRAF has certain limitations with respect to how ESG factors are applied in day-to-day investment decisions, it has the ability to select and retain only those investment managers who adequately incorporate ESG factors into their investment decision-making process. As of November 2020, approximately 97% of TRAF's total assets were managed by investment managers that have made a commitment to incorporate ESG factors into investment analysis and decision-making as signatories to the UN PRI. Furthermore, each one of the investment managers TRAF engages to manage its Canadian-domiciled assets are members of the Canadian Coalition for Good Governance (CCGG).

Co-investments

Prior to undertaking co-investments, alongside our investment managers, staff identify, assess and manage (where possible) relevant ESG risks. Staff also regularly monitor ESG factors throughout the holding period of an investment and express our views to the lead investor as appropriate.

SHAREHOLDER VOTING

One important tool to influence the ESG practices of the corporations owned in TRAF's portfolios is to participate in shareholder voting.

As stated in the SIP&P, the Board is responsible for exercising all rights, including voting rights, attached to the securities held by TRAF. This function is generally delegated to TRAF's investment managers, who are required to exercise such voting rights in the best interests of TRAF. To assist in this process, all external investment managers engaged by TRAF are required to disclose their proxy voting procedures prior to engagement, and thereafter within a reasonable period of time following any amendment. TRAF also encourages external investment managers to expressly incorporate into their proxy voting guidelines procedures that promote the adoption of best practices with respect to corporate governance and the disclosure of ESG risks.

ENGAGEMENT

As the management of TRAF's investments are largely outsourced to external investment managers, TRAF generally has less opportunity to engage directly with the corporations and governments in which it invests. However, TRAF has the ability to support organizations that advocate for the consideration of ESG factors in investment decision-making and generally promote good governance practices. Engaging collaboratively with like-minded institutional investors allows TRAF to amplify its beliefs and influence with respect to ESG matters. TRAF is an active member in various organizations that promote the adoption and implementation of ESG principles across the global investment industry. Through these efforts, TRAF can advance a more comprehensive consideration of ESG factors in investment decisions within the overall investment industry.

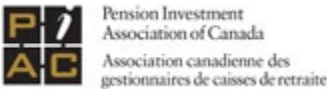
TRAF is currently an active member in several such organizations, including:

Canadian Coalition for Good Governance (CCGG)



The mission of the CCGG is to promote good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interest of boards and management with those of their shareholders, and to promote the efficiency and effectiveness of the Canadian capital markets.

Pension Investment Association of Canada (PIAC)



Among PIAC's goals is the promotion of sound pension and governance standards and practices. Furthermore, the objective of the Investor Stewardship Committee of PIAC is to develop, monitor and promote robust standards and best practices with respect to responsible investing, sustainable investing or ESG investing, with a particular focus on corporate governance.

Institutional Limited Partners Association (ILPA)



ILPA is dedicated to engaging, empowering and connecting limited partners to maximize their performance on an individual, institutional and collective basis. It maintains an ESG roadmap of best practices and resources that reflects the ongoing development and evolution of successful ESG in limited partner organizations.

SUMMARY

TRAF recognizes the major responsibility it has to prudently manage the assets that support the plan. The protection and growth of these assets is critical to the long-term sustainability of the plan.

TRAF believes that facilitating and encouraging the consideration of ESG factors in managing these assets will result in a better long-term outcome. As such, TRAF has in place various practices designed to incorporate and monitor the consideration of ESG factors in accordance with this policy.

If you have any questions or comments regarding this policy, please submit them to ResponsibleInvesting@traf.mb.ca.



Johnston Terminal, 330 – 25 Forks Market Road, Winnipeg, MB R3C 4S8
Email: info@traf.mb.ca • Website: traf.mb.ca
Phone: 204-949-0048 • Toll Free: 1-800-782-0714 • Fax: 204-944-0361