canada life™

Investment Principles

Canada Life Sustainable Portfolios are a suite of three multi-asset investment solutions that incorporate responsible investing principles into its objective. They are strategically engineered to provide purpose-driven investments, that seek to balance returns while simultaneously striving to generate positive ESG influence.

This Investment Principles document sets out the screening methodology used by the portfolio manager, J.P. Morgan Asset Management (JPMAM). It is meant to provide examples of criteria used in the assessment of environmental, social and governance (ESG) factors and risks of companies. These guidelines aim to consider the concerns and values of socially responsible investors. JPMAM uses both proprietary and third-party research to evaluate specific sectors and/or companies – including qualitative and quantitative screening criteria.

JPMAM has a broad framework which acts as a guideline when applying exclusionary criteria. Recognizing that values and norms-based principles may differ by client need, jurisdiction and asset class, exclusions are unique to each strategy. As such, exclusionary screens by companies, industries, sectors and their respective revenue thresholds may differ across different JPMAM sustainable investing strategies.

A multi-strategy approach designed to drive better outcomes

Canada Life Sustainable Portfolios apply a multi-strategy approach that blends several distinct responsible investing strategies into one portfolio. This technique creates more opportunities to enhance returns and deliver positive ESG influence on a global scale.

ESG integration:

Embeds ESG risk analysis within existing fundamentals analysis to provide greater clarity on the risks and opportunities companies face (both in the short and long term)

Potential for higher risk adjusted return

ESG focused:

Exclusionary ESG screening: Excluding certain sectors or companies based on specific ESG business practices, values or norms-based criteria

ESG best in class: companies that lead in their peer groups with respect to ESG practices

Positive ESG tilt: companies that exhibit positive ESG characteristics

Potential for greater sustainability-related influence alongside strong risk-adjusted returns

ESG thematic investing:

Focus on long-term trends related to ESG factors, and invests in companies likely to benefit from these trends

Potential to enhance returns through exposure to forward looking trends, while contributing solutions on ESG issues

- Drives strong risk-adjusted returns for the portfolio as a whole
- A diversified approach helps to dampen portfolio volatility
- Creates more opportunities to enhance positive ESG influence on a global scale

88-531825

Framework: the path to investing more responsibly

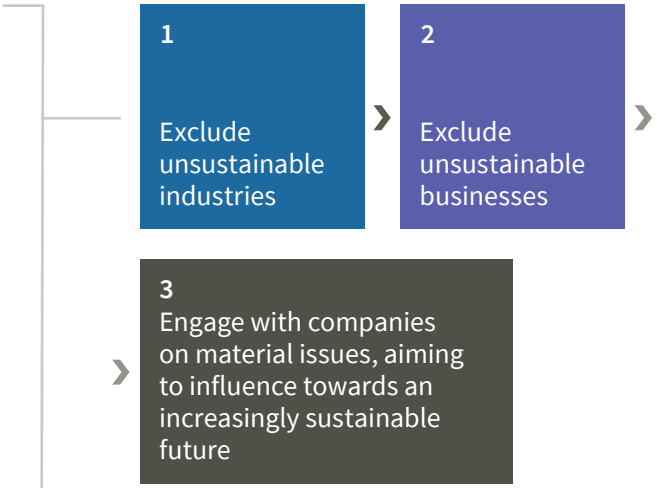
ESG integration

An investment approach in which ESG related factors that are material to the risk and return of investments are being explicitly considered alongside traditional financial factors when making investment decisions.

Exclusionary ESG screening approach

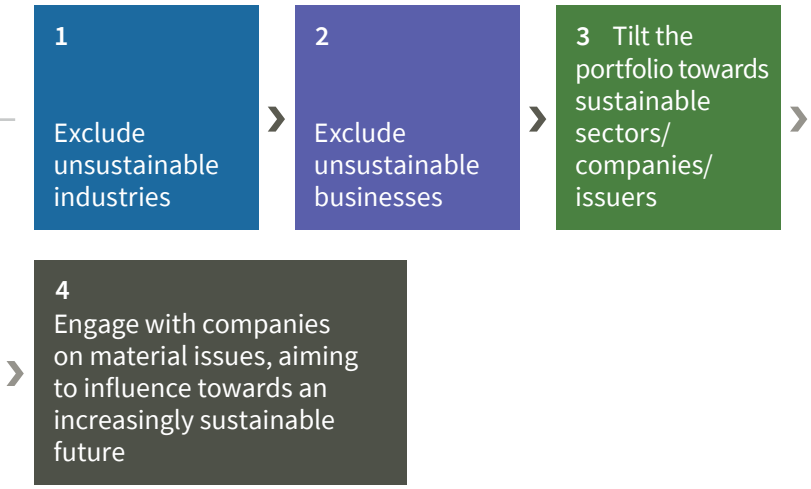
An investment approach that excludes certain sectors, types of securities or companies from its portfolio based on certain ESG-related activities, business practices, societal values or norms-based criteria.

Exclusionary screening is generally driven by revenue thresholds, and may include both values-based as well as norms-based criteria. Values based screening aims to exclude companies that manufacture, sell or provide services related to products that may not align with the values of socially responsible investors. Norms based screening may involve excluding investments that are not in compliance with globally recognized standards, such as the UN's Global Compact Principles.



Positive ESG tilt approach

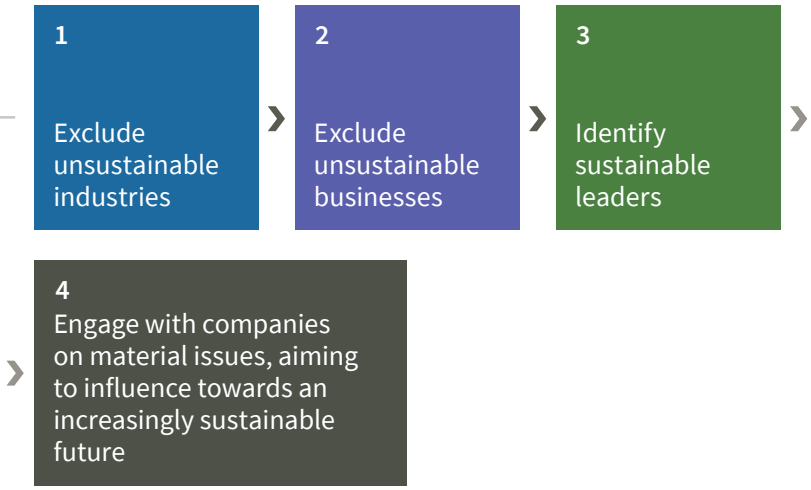
An investment strategy that aims to invest a greater percentage of assets in sectors or companies that exhibit positive ESG characteristics or those that show positive momentum towards becoming more ESG focused. This approach is also generally required to take into consideration certain exclusions based on values or norms based criteria.



ESG best-in-class approach

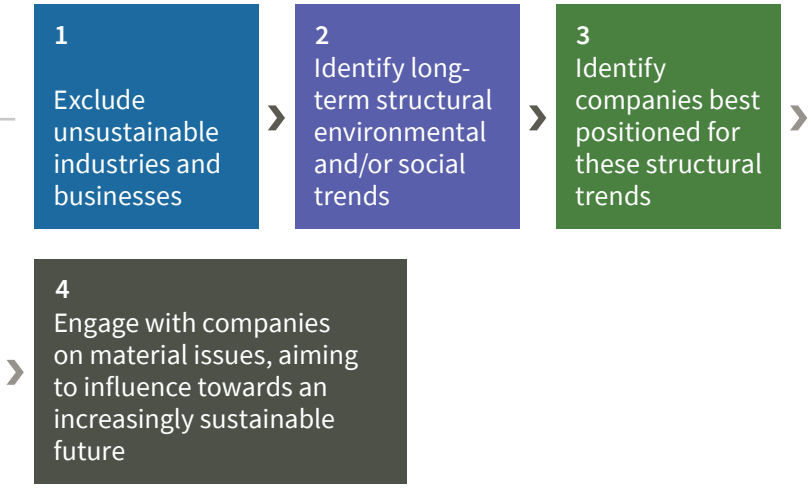
An investment strategy which aims to invest in companies that perform better than their peers on one or more performance metrics related to ESG matters.

This approach is also generally required to take into consideration certain exclusions based on values or norms-based criteria.



ESG thematic investing approach

An investment strategy that aims to invest in sectors, industries, or companies that are expected to benefit from long-term macro or structural ESG-related trends.



Underlying range of sustainable strategies

Canada Life Sustainable Portfolios use building blocks which have been carefully evaluated on both sustainability attributes as well as their risk and return properties.

The funds that use exclusionary criteria screen out companies engaging in business practices that socially conscious investors may wish to avoid. As shown below, the portfolio managers fully exclude some industries and apply maximum percentage thresholds to others, which can vary depending on whether the company is a producer, distributor or service provider. For example, the Canada Life Sustainable Global Bond Fund may exclude from the opportunity set any companies which earn more than 5% of their revenue from thermal coal extraction, and any companies which earn more than 25% of their revenue from thermal coal distribution or services. Involvement in certain business activities, such as activity related to controversial weapons, may result in the company being fully excluded from the opportunity set. To implement these exclusions, JPMAM utilized research from third-party data providers along with their own proprietary research and information from engagement efforts.

Fund name	**Canada Life International Equity Fund**
Fund description	Seeks to achieve long-term capital appreciation by investing primarily in equity securities of companies in any country outside of Canada and the United States. The fund will generally invest across a range of countries and sectors, leveraging the insights generated by a team of global sector specialists. The portfolio manager follows a core investment style, seeking companies that exhibit attractive quality, growth and valuation characteristics. The Fund invests primarily in larger capitalization companies outside of North America that are viewed to potentially be strong competitors in their industry, globally. The portfolio manager implements screens on environment, social and governance (ESG) factors in its investment process with the goal of enhancing long-term, risk-adjusted financial returns. This means the portfolio manager considers ESG factors together with other relevant financial and non-financial criteria in evaluating the performance of a company.
Asset class	International equity
Responsible investment approach	ESG integrated
Benchmark	MSCI EAFE Index
Exclusions	ESG risks are considered as part of the investment process, but no specific ESG exclusionary criteria is applied
Portfolio managers	Tom Murray, CFA – 25 years in industry Shane Duffy, CFA – 22 years in industry James Sutton, CFA – 12 years in industry

Fund name	**Canada Life ESG U.S. Equity Fund** **(formerly Canada Life Sustainable U.S. Equity Fund)**	
Fund description	The fund provides a core U.S. equity allocation. It seeks excess returns by taking active positions (over/under weight) in equities that a team of research analysts find attractive. The fund will generally maintain similar sector and style weights to that of the benchmark. While security holdings will predominantly be U.S. corporations, the Fund may generally invest up to 10% of its assets in non-U.S. equity securities.	
Asset class	U.S. Equity	
Responsible investment approach	ESG focused: exclusionary ESG screening approach	
Benchmark	S&P 500 Index	
Exclusions	Examples of thresholds above which a company may be excluded from the investment universe.	
	Thermal coal**	30% of revenue from production and/ or distribution
	Conventional weapons	10% of revenue from production and/ or distribution
	Controversial weapons	Full exclusion
	White phosphorous	Full exclusion
	Nuclear weapons***	Full exclusion
	Revenue from connection to nuclear weapons industry****	2% of revenue
	Tobacco	5% of revenue from production and/or distribution
	UN Global Compact Violations+	Full exclusion
Portfolio managers	Raffaele Zingone, CFA – 31 years in industry	

As of April 30, 2022. All exclusionary criteria is subject to change.
**Derived from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.
***Nuclear fissile materials, nuclear warheads and missiles, or nuclear intended use component parts.
****Applied to companies not already excluded through nuclear weapons screen. An example of a connection to the nuclear weapon industry includes, but not limited to, weapon delivery systems.
+ Strategies choosing to employ UN Global Compact Principles as an exclusionary category will have well-defined screens and policy around consideration of companies in breach. Where the norms violation cannot be remediated in the near future or where the company has not shown any signs of addressing the issue, we will immediately exclude that company. Where it is less clear, we will engage with them on the issue.

Fund name	Canada Life Sustainable Global Bond Fund	
Fund description	The fund aims to invest in a broadly diversified portfolio of global debt securities across multiple fixed income sectors and countries. The Fund may invest in assets of non-investment grade securities and foreign currency-denominated securities including those from emerging market countries. Generally, the Fund will not invest more than 20% in non-investment grade securities. The Fund will aim to be positively positioned towards sustainable debt securities and debt securities issued by companies and countries that demonstrate improving sustainable characteristics. When applying the positive ESG tilt approach, the portfolio manager will aim to position the portfolio's investment grade and high-yield corporate allocations to maintain higher ESG scores than the respective benchmark index. Sovereign bonds will generally be evaluated using JPMAM's proprietary ESG analysis process that considers criteria such as: **Environmental** – emissions management, climate risk and resource management **Social** – socio economic, gender **Governance** – regulatory environment, governance and corruption The majority of issuers without a third-party ESG score will generally need to have no material ESG risk based upon JPMAM's proprietary analysis. This requirement generally results in the total portfolio tilting towards more sustainable issuers, as compared to the benchmark.	
Asset class	Global bonds	
Responsible investment approach	ESG focused: positive ESG tilt This strategy also applies exclusionary screening criteria	
Benchmark	Bloomberg Global Aggregate Index (CAD hedged)	
Exclusions	Examples of thresholds above which a company may be excluded from the investment universe.	
	UN Global Compact Violations+	Full exclusion
	Controversial weapons	Full exclusion
	White phosphorus	Full exclusion
	Nuclear weapons	Full exclusion from production
	Conventional weapons	10% of revenue
	Tobacco	5% of revenue from production and/or distribution
	Thermal coal	5% of revenue from extraction, and/or 10% of revenue from power generation
	Unconventional oil & gas*	0-10% of revenue from production
	Fossil fuel	5% of revenue
	Power generation	10% of revenue from Thermal Coal 30% of revenue from Oil & Gas 30% of revenue from Nuclear
	Adult entertainment	0% of revenue from Production, and/or 5% of revenue from Distribution/Services
	Gambling	5% of revenue
Portfolio managers	Myles Bradshaw, CFA – 25 years in industry Linda Raggi, CFA – 13 years in industry	

As of April 30, 2022. All exclusionary criteria is subject to change.
+ Strategies choosing to employ UN Global Compact Principles as an exclusionary category will have well-defined screens and policy around consideration of companies in breach. Where the norms violation cannot be remediated in the near future or where the company has not shown any signs of addressing the issue, we will immediately exclude that company. Where it is less clear, we will engage with them on the issue.
*Oil sands, arctic oil and arctic gas production excluded at 0% revenue threshold. Shale oil and gas production excluded at 10% revenue threshold.

Fund name	Canada Life Sustainable Global Equity Fund		
Fund description	The fund aims to invest in companies identified as ESG leaders or those that demonstrate improving ESG characteristics. The Fund may invest across both developed and emerging markets. Generally, the Fund will not invest more than 30% in emerging market securities relative to the MSCI ACWI Index. When applying the ESG best-in-class approach, the portfolio manager will aim to invest primarily in those companies they deem to be ESG leaders compared to their peers. They may also invest in companies that they believe are undergoing significant and measurable change and that have the potential to be future ESG leaders. This may include those companies with a clear timeline for improvement and tangible and measurable ways to demonstrate that improvement. The identification of ESG leaders and those with future ESG potential is based on the portfolio managers company specific analysis and ongoing engagement with companies to understand how they consider ESG issues. The portfolio manager may consider the following factors when identifying sustainable leaders:		
	Resilient ecosystems	Climate change mitigation	Targeting companies that enable the transition to a low carbon economy.
		Responsible resource consumption	Targeting companies that contribute to circularity and protect biodiversity.
	Equal opportunities	Social cohesion	Targeting companies that drive social empowerment and well-being.
		Diverse and motivated workforce	Targeting companies that contribute to resilient and inclusive workforces.
	Governance imperatives	Corporate independence and accountability	Targeting companies that protect minority shareholders.
		Good management behaviour	Targeting companies that demonstrate consideration to all stakeholders.
Asset class	Global equity		
Responsible investment approach	ESG focused: ESG best in class This strategy also applies exclusionary screening criteria		
Benchmark	MSCI All Country World Index		
Exclusions	Examples of thresholds above which a company may be excluded from the investment universe.		
	Electricity generation: coal*		10% of power production
	Electricity generation: oil & gas*		30% of power production
	Electricity generation: nuclear*		30% of power production
	Thermal coal		10% of revenue

Exclusions	Unconventional oil & gas	10% of revenue
	Conventional oil & gas*	May invest in conventional oil and gas companies as long as the company generates at least 40% of its revenues from natural gas or renewable energy.
	Conventional weapons	10% of revenue
	Controversial weapons	Full exclusion
	Nuclear weapons	Full exclusion
	Adult entertainment	5% of revenue
	Tobacco	10% of revenue
	Gambling	10% of revenue
	UN Global Compact Violations+	Full exclusion
Portfolio managers	Tim Woodhouse, CFA – 13 years in industry Joanna Crompton, CFA – 14 years in industry Sophie Wright – 6 years in industry	

As of April 30, 2022. All exclusionary criteria is subject to change.
*The fund may invest up to 5% of its assets in companies that would otherwise be excluded for being active in oil & gas extraction and/ or electricity generation if the portfolio managers believe they are best in class and leading the transition to the low carbon economy.
+ Strategies choosing to employ UN Global Compact Principles as an exclusionary category will have well-defined screens and policy around consideration of companies in breach. Where the norms violation cannot be remediated in the near future or where the company has not shown any signs of addressing the issue, we will immediately exclude that company. Where it is less clear, we will engage with them on the issue.

Fund name	Canada Life U.S. Carbon Transition Equity Fund	
Fund description	The fund aims to provide broad U.S. market exposure with equity securities better positioned to benefit from a transition to a lower carbon economy. The fund will invest primarily in U.S. large- and mid-cap equity securities and seek investment results that closely correspond to the Russell 1000 Index. The Fund's investment approach is aimed at achieving a weighted average carbon intensity that is at least 30% less than the Russell 1000 Index. The portfolio manager also aims to reduce the Fund's own weighted average carbon intensity by 7% per annum, as measured since the Fund's strategy inception. This means that even if the Fund has a sufficiently lower weighted average carbon intensity than the Russell 1000 Index, it would still seek to further reduce its weighted average carbon intensity relative to that exhibited in prior years (known as self-decarbonization). In making investment decisions, the sub-advisor will generally not exclude entire sectors, or make meaningful sector bets in order to achieve its carbon reduction objectives but will aim to overweight companies that are positioned to benefit from a lower carbon economy, underweight companies facing greater risks and maintain sector exposures in-line with the benchmark. While sector exclusions are generally kept to a minimum, the portfolio manager may still use exclusionary ESG screening to exclude unsustainable industries and companies based on norms and values-based exclusions. The transition to a low-carbon economy will impact all sectors, and the sectors most highly exposed to climate change issues are often the same sectors that will need to make the biggest changes to get us to a low-carbon future. Rather than reduce emissions simply by excluding entire sectors, JPMAM strives to work with companies to encourage best practices and drive strategic change. This is done through engagement and stewardship efforts.	
Asset class	U.S. equity	
Responsible investment approach	ESG thematic investing This strategy also applies exclusionary screening criteria	
Benchmark	Russell 1000 Index	
Exclusions	Examples of thresholds above which a company may be excluded from the investment universe.	
	Conventional weapons	10% of revenue from production and/ or distribution
	Tobacco	5% of revenue from production and/or distribution
	Thermal coal	30% of revenue from production and/ or distribution
	Nuclear weapons (i.e., fissile materials, warhead and missile, components)	Full exclusion
	Revenue from connection to the nuclear weapons industry*	2% of revenue
	Controversial weapons	Full exclusion
	White phosphorus	Full exclusion
	UN Global Compact Violations+	Full exclusion
	EU Taxonomy "Do No Significant Harm" Principles	Companies found to be doing harm to any of the 6 Environmental Objectives of the EU Taxonomy

ESG thematic screening	To identify those companies best positioned to benefit from the transition to a low carbon economy, the portfolio manager will evaluate companies across three pillars:	
	Emissions Management Assess forward looking and historical indicators evaluating how well companies manage their green house gas (GHG) emissions.	
	Indicator	**Example metrics**
	Site Emissions: Reducing direct emissions and shift towards greener forms of energy	• Scope 1 Emissions • Fossil Fuel Use • Renewable Energy Production
	Consumer Emissions and Opportunities: Assess companies indirect emissions and their potential to benefit from a shift in consumer demands towards low carbon alternatives	• Scope 3 Emissions • Low Carbon Patents • Sustainable Food or Transport Production
	Resource Management Beyond just lowering GHG emissions, in order to truly transition to a lower carbon world, companies should also focus on managing other resources, including energy, water and waste.	
	Indicator	**Example metrics**
	Electricity Management: Reducing indirect GHG emissions from the usage of electricity and the use of renewable energy sources	• Scope 2 Emissions • Electricity Usage • Purchased Renewable Energy
	Water Management: Focus on improving the sustainability of water flow management and how a company uses water	• Water Efficiency • Water Recycling
	Waste Management: In addition to carbon dioxide a number of other gases have the same impact on the planet and are often released via improper waste management or landfills and therefore JPMAM focuses on reducing waste materials, both hazardous and non-hazardous	• Hazardous Waste Production • Waste Recycling & Reuse
	Risk Management The final pillar in the evaluation framework focuses on how well a company manages its climate-related risks – both physical and reputational.	
	Indicator	**Example metrics**
	Physical Risk: Assessing the impact to a company from physical risks caused by extreme weather conditions	• Extreme Heat Value at Risk • Coastal Flooding Value at Risk
	Reputational Risk: Assessing positive climate stewardship or violations of climate principles and how well a company incorporates sustainability considerations into its business	• ESG-linked Compensation • Environmental Fines/Sales
Portfolio managers	Yazann Romahi, PhD, CFA – 23 years in industry Aijaz Hussain – 7 years in industry Alistair Lowe – 37 years in industry Wei (Victor Li), PhD, CFA – 12 years in industry	

As of April 30, 2022. All exclusionary criteria is subject to change.
*Applied to companies not already excluded through nuclear weapons. An example of a connection to the nuclear weapon industry includes, but is not limited to, weapon delivery systems.
+ Strategies choosing to employ UN Global Compact Principles as an exclusionary category will have well-defined screens and policy around consideration of companies in breach. Where the norms violation cannot be remediated in the near future or where the company has not shown any signs of addressing the issue, we will immediately exclude that company. Where it is less clear, we will engage with them on the issue.

Fund name	Canada Life Sustainable Emerging Markets Equity Fund	
Fund description	Aims to provide long-term capital appreciation by investing in emerging market sustainable companies or companies that demonstrate improving sustainability characteristics. Sustainable companies are those that the portfolio manager believes to have effective governance and superior management of environmental and social issues. The portfolio manager follows an ESG best-in-class approach, which aims to invest in companies that perform better than their peers in the MSCI Emerging Markets Index on one or more performance metrics related to ESG matters. The portfolio manager will aim to invest primarily in companies that they deem as having a clear strategic vision on material ESG issues or those that demonstrate improving sustainability characteristics. This may involve ranking businesses based on the portfolio manager's view of whether the business is already a leader, making a transition to be a leader, or have the potential to migrate to be a leader.	
Asset class	Emerging Markets	
Responsible investment approach	ESG focused: ESG best in class This strategy also applies exclusionary screening criteria	
Benchmark	MSCI Emerging Markets Index	
Exclusions	Examples of thresholds above which a company may be excluded from the investment universe.	
	UN Global Compact Violations+	Full exclusion
	Controversial weapons	Full exclusion
	Nuclear weapons	Full exclusion
	Conventional weapons	10% of revenue
	Tobacco	Full exclusion for tobacco production, and/or 10% of revenue for tobacco related activities
	Thermal coal	10% of revenue
	Unconventional oil & gas	10% of revenue
	Conventional oil & gas	Full exclusion
	Adult entertainment	5% of revenue from Distribution/Services
	Gambling	10% of revenue
Portfolio managers	Amit Mehta, CFA – 19 years in industry John Citron, CFA – 11 years in industry	

As of April 30, 2022. All exclusionary criteria is subject to change.
+Strategies choosing to employ UN Global Compact Principles as an exclusionary category will have well-defined screens and policy around consideration of companies in breach. Where the norms violation cannot be remediated in the near future or where the company has not shown any signs of addressing the issue, we will immediately exclude that company. Where it is less clear, we will engage with them on the issue.

Portfolio level ESG score

In addition to the bottom up ESG process conducted by the underlying strategies, at the total portfolio level, the Multi-Asset Solutions team conducts a top down ESG analysis which involves monitoring the ESG scoring of the total portfolio, relative to the portfolio benchmark and investment universe.

The above tables outline the guidelines that will be used by the strategies created specifically for Canada Life. For illustrative purposes only. Exclusions are subject to change. Not to be construed as investment advice. Investments involve risks.

J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide. J.P. Morgan Asset Management (Canada) Inc. is sub-advisor of the Canada Life Sustainable Portfolios and an indirect, wholly owned subsidiary of JPMorgan Chase & Co. J.P. Morgan Asset Management (Canada) Inc., is a registered Portfolio Manager and Exempt Market Dealer in all Canadian provinces and territories except the Yukon and is also registered as an Investment Fund Manager in British Columbia, Ontario, Quebec and Newfoundland and Labrador.

For wholesaler use only. No portion of this communication may be reproduced or distributed to the public as it does not comply with investor sales communication rules.

canada life™