



Responsible Investment Policy

Introduction

In the history of the firm, responsible investment was not integrated into the investment process.

Allard Allard & Associates Inc. (AA&A) adheres to the principles of the “Value” investment approach. As a result, our dedicated investment teams focus primarily on fundamental and qualitative analysis of companies.

In its evolution, AA&A wanted to offer its proven investment skills to institutional investors.

To obtain its first institutional mandate, the firm was asked to become a signatory of the United Nations Principles for Responsible Investment (UNPRI). This first mandate and this membership launched the firm into the world of responsible investment.

Definition

The world of Responsible Investment (RI) being vast, AA&A decided to focus on ESG (Environment, Social and Governance) factors.

We believe that ESG factors can add some value to the investment process. If ESG factors are known, analyzed and put into perspective with a firm's metric data, this can avoid investing in companies with ESG issues that could lead to value destruction for our clients.

We are also aware that the opposite situation can have a beneficial effect for our customers in terms of values and efforts to preserve a sustainable economy. For these reasons, we wanted to develop our understanding of ESG factors.

Objective and Scope

Our RI policy covers all our assets under management, both at the level of our private clients and at the level of our institutional clients.

All of our human resources are also called upon according to their respective tasks. The firm's objective remains the creation of value for our clients. By incorporating the analysis of ESG factors into our value style we believe we can minimize the risks incurred by them in their portfolios.

This policy is also in line with the Principles for Responsible Investment (PRI) of the United Nations Organization which consists of six principles:

- Incorporate ESG issues into investment analysis and decision-making processes.
- Be active owners and incorporate ESG issues into our ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the entities in which we invest
- Promote acceptance and implementation of the Principles within the investment industry.
- Work together to enhance our effectiveness in implementing the Principles.
- Report on our activities and progress towards implementing the Principles.

Implementation of our IR Policy

1. Integration of ESG factors

For idea generation, our analysts adopt a bottom-up approach. They use a number of filters to screen our financial information provider's database. The resulting list of companies is analyzed by the analysts and they focus on the best companies.

After this screening, the analysts begin the fundamental analysis of the company by going through the company's financial reports as well as various ratios and growth scenarios.

In addition, the analyst will review qualitative criteria such as members of management, brand image, company markets, etc. It is in this part of the analysis that our analyst will consult the ESG rating of the company and its ranking compared to its peers. This rating will allow the analyst to ensure that ESG factors represent a negligible risk to the value he attributes to this company.

The analysis of ESG factors is guided by the following guidelines:

Guideline for the environmental factor

We take environmental risks into account in our investment process, by consulting the score on environmental criteria given to each company by an ESG information provider. For example, these risks can relate to carbon footprint, pollution prevention or water conservation.

Guideline for the social factor

We take environmental risks into account in our investment process, by consulting the score on social criteria given to each company by an ESG information provider. For example, these risks may relate to employee satisfaction and wages, or occupational health and safety.

Governance factor guideline

We take environmental risks into account in our investment process, by consulting the score relating to the governance criteria given to each company by an ESG information provider. For example, these risks may relate to corporate governance, ethical practices, or executive and board diversity.

Subsequently, the analyst will present the company or companies to the investment committee. The committee is made up of our analysts as well as our portfolio managers. ESG metrics and factors will be further discussed and our portfolio managers will eventually assign a recommendation on the stock based on our rating scale.

2. Voting right

In the case of a market event on one of our companies in portfolio, we vote according to the recommendation made by our team of analysts and approved by our portfolio managers.

For the annual meetings of our companies, we vote as business people and we try to vote for the best decisions for our clients.

3. Training

Our dedicated RI staff keep up to date on developments in ESG factors as well as new methods of integrating such factors.

Training is done through the PRI network via various media such as conferences, webinars, etc. Staff dedicated to RI are responsible for relaying information on ESG factors, training teams in new standards and developing everyone's involvement in RI.

4. *Commitment*

All the firm's employees are signatories of our Compliance Manual (CM). In addition to the CM, employees, depending on their academic training and their position within the firm, are signatories of the following codes:

- CFA Code of Ethics and Standards of Professional Conduct
- CIM Code of Ethics
- Quebec CPA code of ethics

Governance

The responsibility for implementing and respecting our IR policy rests with each employee according to their individual prerogatives.

For compliance purposes, we have implemented a two-level control which is as follows:

- The AA&A Board of Directors approves the RI Policy and may make recommendations on the subject.
- Our president, Mr. Louis Allard, has the task of supervising the proper implementation of our IR policy and monitoring it.

Policy review

We are committed to review and update our policy as needed every 3 years.