

# 2023 Sustainable Investment Report



**KALEIDO**



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## MESSAGE FROM MANAGEMENT

# More than 60 years building a sustainable future



We are pleased to present the Kaleido Sustainable Investment Report 2023.

In 2020, Kaleido committed to guiding its investment decisions in line with a [Sustainable Investment Policy](#) that aims to integrate environmental, social and governance (ESG) considerations. In addition, we chose to work exclusively with portfolio managers who are signatories to the Principles for Responsible Investment (PRI), an initiative supported by the United Nations.

As we celebrate 60 years of commitment to a better educated society, these efforts are bearing fruit, and it is more important than ever to provide strong leadership in sustainable finance, in order to offer our young people a bright future.

While 2022 was a pivotal year, marked by the launch of IDEO+ individual education savings plans, 2023 can be said to have been a year of consolidation for all our scholarship plans, enabling us in particular to increase, measure and appreciate the positive impacts of our efforts to invest in green and sustainable bonds, as well as to reduce our carbon footprint. The results achieved in our IDEO+ Responsible portfolio speak for themselves!

Of course, Kaleido's commitment goes beyond eco-responsible finance. Therefore we have renewed our support for a number of local organizations that are helping to build tomorrow's society by promoting, for instance, student retention, social commitment, support for students in financial difficulty, literacy, tutoring and financial education.

Drawing on these advances, inspired by over 60 years of evolution and supported by our customers, employees and partners, we continue to contribute to a sustainable future for our young people.

Isabelle Grenier, LL.B.  
Présidente et cheffe de la direction

## ABOUT THIS REPORT

# Disclosures in order to understand and continue to evolve

Since 2017, Kaleido has been firmly committed to sustainable investment. In this respect, we have made steady progress, and this third annual report is part of a long-term approach that we aim to continue with discipline each year. It aims to share our vision, objectives and achievements, and to communicate our non-financial performance<sup>1</sup> in a transparent way.

Kaleido considers disclosure of accurate and complete information on the results of its sustainable investments to be a key component of its approach. This report bears witness to our

commitment and constitutes a formal opportunity to maintain a constant dialogue with our portfolio managers, with a view to continuous improvement of investment practices.

<sup>1</sup> Extra-financial performance refers to an evaluation that goes beyond economic results. It essentially targets results linked to the behaviour of the companies held in the portfolio regarding the environment, as well as respect for social values and governance.



## Overview of our results

# 100%

of our assets are entrusted to portfolio managers who are signatories to the UN'S [Principles for Responsible Investment](#) initiative.

# 33.7%

of the assets held in all our bond portfolios are invested in green<sup>2</sup> and sustainable<sup>3</sup> bonds.

# 3 IDEO+ individual plans

launched in 2022, such as the IDEO+ Responsible Plan, where some of the fundamental investment objectives aim to generate a positive impact on two themes linked to sustainable development, namely (i) climate change and (ii) children's well-being and education.

Note: all data presented are as at December 31, 2023. Please note that some portfolio managers may have exercised our voting rights at one or more of the same shareholder meetings.

A reduction of

# 132.3 tonnes

CO<sub>2</sub>eq/M\$

in carbon intensity<sup>4</sup> for our portfolios compared to their respective benchmarks<sup>5</sup>.

# 306 of the companies

held in our portfolios met to discuss ESG issues.

# 182 shareholder meetings

at which our portfolio managers exercised our voting rights (a total of 2,492 resolutions passed).

2 A green bond is a debt security issued to finance ecologically sustainable projects that have a positive impact on the environment.

3 A sustainable bond is any type of bond that promotes positive environmental and social benefits.

4 Carbon intensity measures a portfolio's exposure to carbon-intensive companies. It is expressed in tonnes of CO<sub>2</sub> emissions per million US dollars of revenue. This is the measure recommended by the *Task Force on Climate-Related Financial Disclosures* (TCFD).

5 Calculated unweighted average based on data from each portfolio manager.

## OUR VISION AND BELIEFS

# Sustainable investing: A central pillar of our asset management strategy

Since 1964, Kaleido has been dedicated to education savings to ensure a promising future for our young people. We are driven by the belief that all children can achieve their full potential when given the means to do so. To deliver on this vision, we invest in companies and projects that create long-term value, taking ESG factors into account in our investment processes.

Kaleido recognizes the existence of climate change risk and the importance of conserving natural resources for future generations. We also recognize the importance of preserving human capital, the need to act as responsible corporate citizens engaged in the community and the merits of diversity and independence on boards of directors. These issues are key to us.

In addition to favouring companies whose management of environmental and social factors is positive, we exclude certain industries whose activities or products and services are deemed harmful to human beings, such as tobacco and weapons.\* Finally, we ask our portfolio managers to intervene proactively with the companies in which we invest in order to influence their practices positively.

We think organizations that consider ESG factors in their management decisions are generally better positioned to manage risk, to demonstrate resilience in times of crisis and to generate long-term returns. Because saving for post-secondary education

is a promising long-term project, we think an approach that promotes sustainable investment is fully compatible with our clients' objectives and investment horizons. Accordingly, we have made sustainable investing a central pillar of our approach and have ensured its integrity with a rigorously applied policy that formalizes our commitment.

\* Military or offensive weapons, namely weapons used primarily to cause injury to individuals.

## Our exclusion filters

Our scholarship plans exclude certain industries whose activities are deemed harmful to humans. A company is deemed ineligible if it derives more than 15% of its earnings from the production, processing or distribution of products from the following industries:

- > Tobacco
- > Weapons

[View our Sustainable Investment](#)

# ESG criteria beyond investing

Kaleido is committed to following ESG criteria beyond their simple application to financial investing. We incorporate environmental, social and governance criteria into our financial products, our social commitment to causes that support young people, and the importance we attach to equality and diversity within our team.

## Environment

### IDEO+ Responsible

We are proud to integrate environmental criteria into our global approach through the new IDEO+ RESP range, which includes three plans designed to meet the needs and preferences of families. Among these, the [IDEO+ Responsible Plan](#) stands out not only by respecting our sustainable investment policy, but also by going beyond it. The plan incorporates impact investment principles designed to generate more positive environmental and social impacts on two sustainability themes: climate change and children's well-being and education, enabling families to invest in a sustainable future for their children.

The plan uses a positive filtering strategy, which also makes it possible to assess the positive impact of the investments. For example, Kaleido and the portfolio managers work with Sustainable Development Goals (SDGs). The SDGs are a set of 17 global goals that were established by the United Nations in 2015, which aim to create a more equitable, sustainable and prosperous future worldwide by 2030, while taking into account economic, social and environmental considerations. The IDEO+ Responsible Plan targets the following objectives\*: 1 (no poverty), 3 (good health and well-being), 4 (quality education), 10 (reduced inequalities) and 13 (climate action).

### Percentage of IDEO+ Responsible Plan assets linked to the Sustainable Development Goals (SDGs) at December 31, 2023\*

Sustainable development goals	% of assets of the plan
No poverty (1)	5.77
Good health and well-being (3)	20.73
Quality education (4)	4.23
Reduced inequalities (10)	5.58
Climate action (13)	58.07

\* Data available for bonds only.  
Source : [UNDP](#)



# Social

**Beyond helping children achieve their full potential by supporting their academic success, regardless of their parents' financial means, we support causes with a common denominator: a commitment to youth.**

## educaide

For over 20 years, Éducaide has been giving young people the tools they need to stay in school, so that they can reach their full potential and actively participate in building the type of society they want to live in. We believe that financial assistance of this kind makes a significant difference in the fight against dropping out of school and is a springboard of confidence for young people's success. To date, the organization has donated over \$3 million to young people from disadvantaged backgrounds. In addition to founding the organization and providing material resources and premises, Kaleido actively contributes to the organization's funding through direct donations and involvement in its annual benefit evening. Over the past years, our employees have donated more than \$29,200 to Éducaide. As part of 2023 fundraising activities, the Kaleido board members raised over \$39,000.

## alloprof

This organization is dedicated to supporting student retention by providing free resources—including homework help—to all students in Quebec, as well as their parents and teachers. Alloprof promotes a goal we hold dear: academic success from the very beginning of primary school. Kaleido has been a proud supporter of Alloprof for many years.



Forces AVENIR shares one of Kaleido's strong convictions: education has the power to provide young people with deep connections to their community while opening them up to the world. As a major partner of Forces AVENIR at the college level, Kaleido is proud to recognize, honour and promote student involvement in projects that contribute to the development of socially conscious, active, responsible and resolute citizens.



Kaleido and its employees are very passionate about this foundation, whose mission is to develop the literacy skills of adults and children, enabling them to participate fully in society. In 2023, Kaleido was a partner in [The Gift of Reading](#) initiative.



## Supporting investors to contribute to their financial health

Kaleido also contributes to the financial education of Quebec families by offering special support to its customers. This support is provided by qualified professionals in the form of advice and practical tools. We also share relevant content on our blog, which is accessible to everyone in Quebec who wants to better understand the mechanics of education savings. Finally, we are actively involved in raising awareness and educating investors on the subject of sustainable investment by publishing various information tools, including a [digital book devoted exclusively to this subject](#).

## Governance

### Diversity and equality: Integral parts of Kaleido's values since 1964

The place of women and equal opportunity are central to our company's practices. They have been priorities for Kaleido since its inception in 1964. As the father of five girls, Kaleido founder Jean Marchand wanted to give all his children the same opportunity to pursue the education of their choice.

Kaleido continues to promote diversity and equal employment opportunities. Our Board of Directors is made up of women and men from a wide range of backgrounds, and 36% of the Kaleido Foundation Board is made up of women. What's more, the majority of our senior management positions are held by women.



## SELECTION AND MONITORING OF PORTFOLIO MANAGERS

# In-depth assessment of ESG expertise and ongoing dialogue

As an investment fund manager, Kaleido issues portfolio manager mandates and ensures compliance with its investment policies for the benefit of scholarship plan subscribers and beneficiaries. It is crucial for us that all portfolio management firms we do business with be firmly committed to sustainable investment and apply best practices in this area. Consequently, 100% of Kaleido's assets are entrusted to managers who incorporate ESG factors into their management strategy.

Here is how we monitor and ensure compliance with our policy and vision with our various managers.

## Mandatory commitment to the PRI

In 2017, Kaleido made a commitment to retain the services of portfolio management firms that are signatories to the [Principles for Responsible Investment](#) (PRI), an initiative supported by the United Nations. All the managers we work with have made a commitment under the PRI to consider ESG factors in their investment processes and to report annually on their ESG activities. PRI signatories are periodically assessed on their compliance with their commitments.

## In-depth assessment of ESG integration practices

As part of the manager selection process, Kaleido thoroughly assesses all managers' ESG expertise by examining their strategies, capabilities, and governance, as well as the way they integrate ESG factors into their investment decisions. Managers' views on responsible investing and the culture, policies and makeup of their responsible investment teams are also taken into account.

## Constant communication and follow-up

Kaleido maintains an ongoing dialogue with portfolio management firms to ensure they apply sustainable investment best practices. We require managers to confirm regularly that our expectations regarding sustainable investment best practices are met for all our investment strategies.



## ESG INTEGRATION BY OUR MANAGERS AND 2023 RESULTS

# Proactive, industry-leading managers

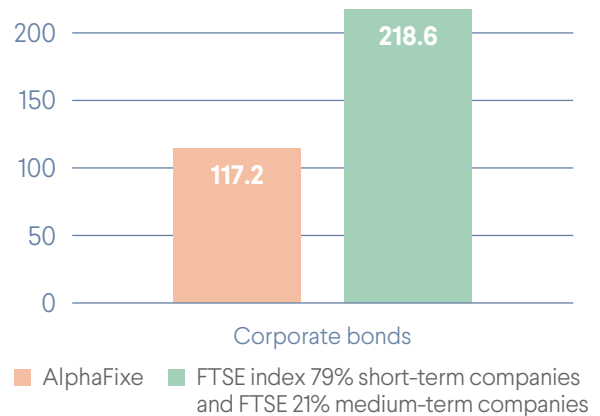
The integration of ESG criteria into our investment decisions is supported by committed and rigorous portfolio managers. As well as adhering to the UN's Principles for Responsible Investment (PRI), these managers enable our customers to benefit from better risk management and investment opportunities, while contributing to a sustainable future for our children. It's no coincidence that two of them won top honours at the 2022 Great Canadian ESG Championship.

### AlphaFixe Capital Inc.

Winner of the 2022 Great Canadian ESG Championship, "Equity and/or Fixed Income" category

Drawing on rigorous ESG methodologies developed over the past ten years, AlphaFixe Capital Inc. managers continue to differentiate themselves in fixed income and green bond management. All funds managed by the firm are entirely free of companies exploiting or exploring for proven or probable fossil fuel reserves.

Carbon intensity / tCO<sub>2</sub>eq/M\$



Note: carbon intensity relates only to the portion invested in corporate bonds. Data source: AlphaFixe Capital (carbon intensity calculation methodology available in appendix).

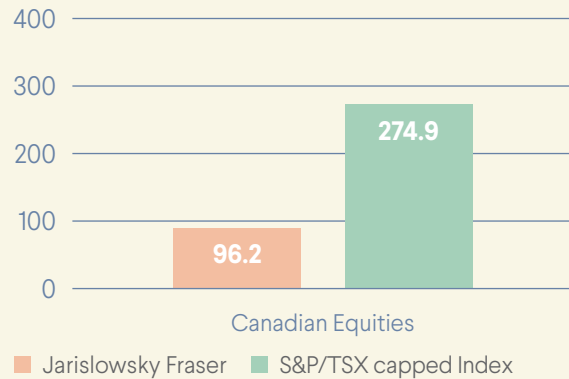


## Jarislowsky Fraser Limited

Winner of the 2022 Great Canadian ESG Championship, “Multi-assets” category

As the Canadian equity manager for our plans, the firm has long recognized the importance of ESG criteria in its fundamental analysis. Jarislowsky Fraser Limited also acts as a committed investor and demonstrates this through its dialogues with companies, its exercise of voting rights and many of its external collaborations.

Carbon intensity / tCO<sub>2</sub>eq/M\$

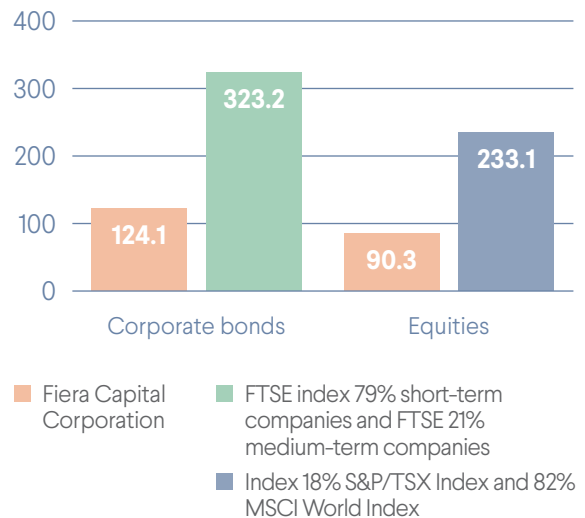


Source of data: MSCI and Jarislowsky Fraser (the methodology used to calculate carbon intensity is provided in the appendix).

## Fiera Capital Corporation

This manager invests the assets of our plans in fixed-income securities, using active management that favours income in excess of its market index, while emphasizing capital preservation. In addition, the investment strategy of the variable-income mandate is to invest in companies that use sustainable management practices. The variable-income mandate’s investment strategy also incorporates an ESG analysis, in which the manager considers that well-managed companies are generally distinguished by their sound management of sustainability issues, including environmental issues.

Carbon intensity / tCO<sub>2</sub>eq/M\$

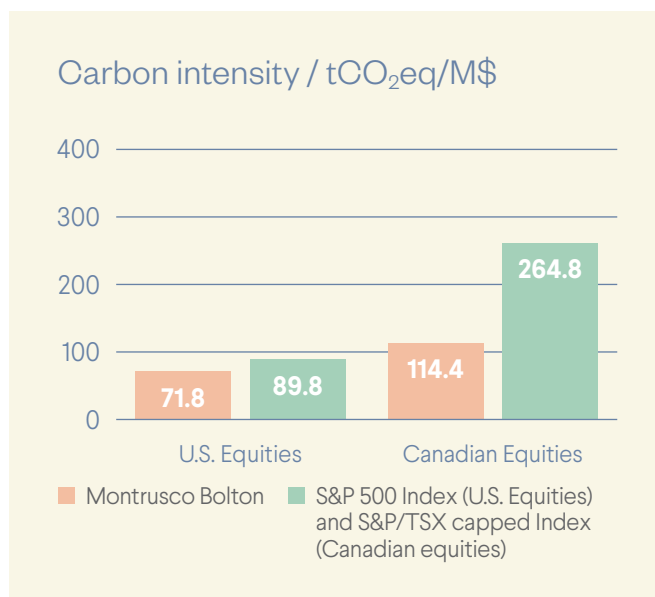


Note: carbon intensity relates only to the portion invested in corporate bonds. Data source: Fiera Capital Corporation and MSCI (carbon intensity calculation methodology available in appendix).



## Monrusco Bolton Investments Inc. (MBI)

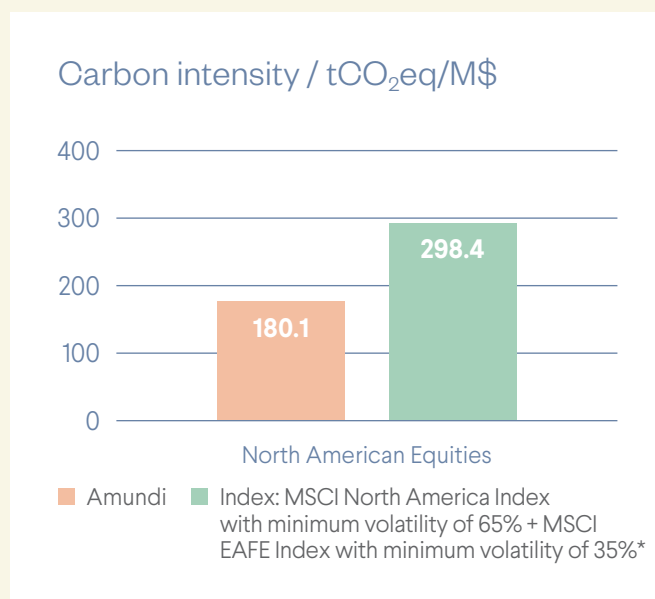
The firm invests the assets in our plans in government and corporate bonds as well as North American equities. Its investment teams monitor companies' carbon footprints as part of climate risk management. At PMB, ESG criteria are central to investment decisions.



Source of data: Sustainalytics (Morningstar) and Monrusco Bolton (the methodology used to calculate carbon intensity is provided in the appendix).

## Amundi Canada Inc.

Amundi Canada Inc., Europe's leading asset manager and one of the world's top ten players, offers a comprehensive range of active and passive investment solutions. For Kaleido, Amundi Canada Inc. assumes an active management mandate for North American equities and passive management via the acquisition of exchange-traded funds (ETFs) for international equities. The integration of ESG criteria is important to the manager and plays a major role in the selection of securities in the portfolio.



\* Possible fluctuations in the calculation of the carbon intensity of the manager Amundi Canada Inc. due to the conversion of the exchange rate (EUR to USD).



## FOCUS ON CLIMATE CHANGE

# The energy transition at the heart of our priorities

In addition to taking into account companies' behaviour in relation to their environmental impacts, by assessing how they manage the risks associated with climate change, we give priority to investments that have a direct positive impact on the climate and natural resources. At Kaleido, we believe in the importance of making an impact and are driven by the idea of creating a greener world for future generations. This is why we have chosen to invest more in green and sustainable bonds to support projects with the potential to realize our vision.

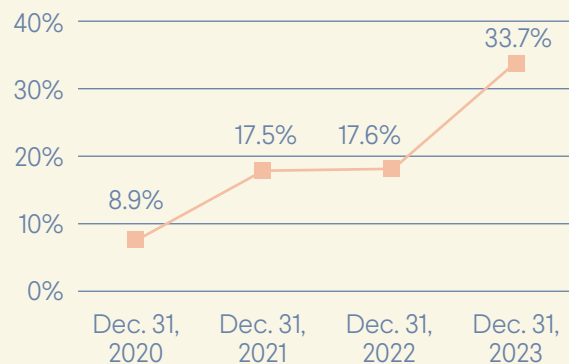
## Spotlight on green and sustainable bonds

Green and sustainable bonds are debt instruments issued to borrow capital that is then allocated to specific projects with tangible environmental and social benefits.

Kaleido is contributing to a lower carbon economy by setting targets to increase the proportion of green and sustainable bonds held in scholarship plan portfolios, based on market issuance opportunities.

The proportion of green and sustainable bonds in our scholarship plan portfolios is increasing year on year. At the end of 2023, this proportion reached 33.7%.

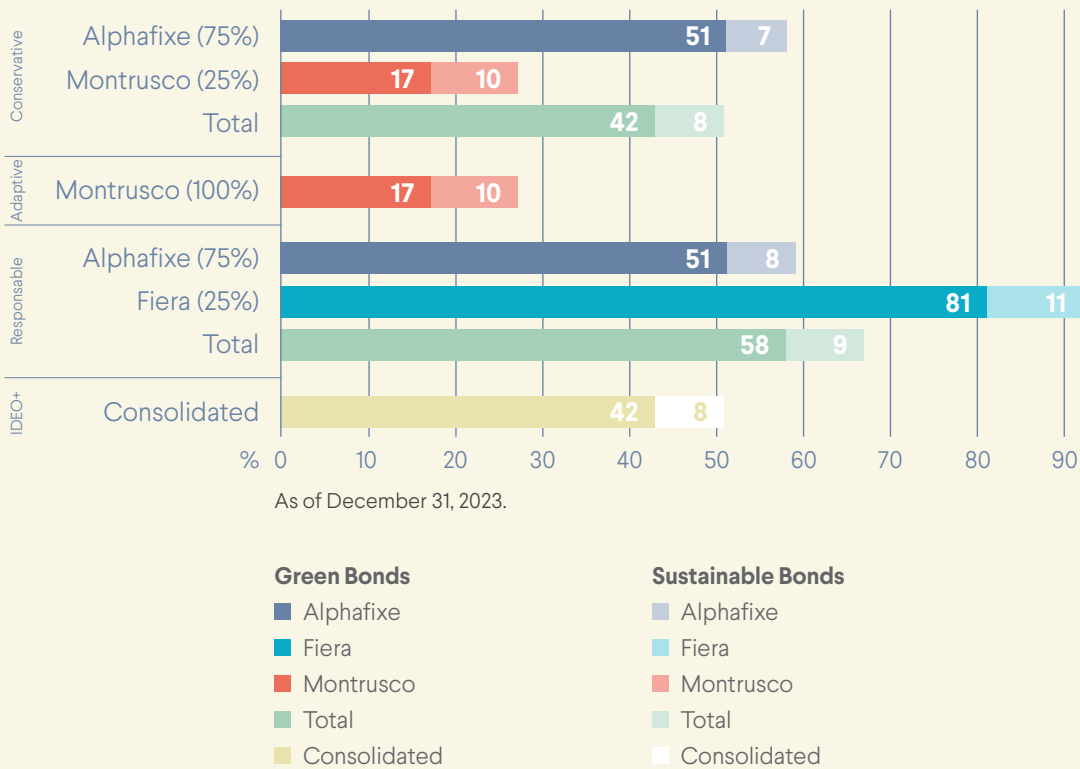
Green and sustainable bonds weighting: strong and steady growth



Note : Since December 31, 2023, we have been taking into account both green and sustainable bonds. Before 2023, only green bonds were considered in this chart. This chart shows the weight of these bonds as a percentage of Kaleido's overall bond portfolio.



## Illustration of green and sustainable bonds in our IDEO+ plans by manager



## Being part of the solution!

At Kaleido, we believe in adopting business practices that are consistent with our sustainable investment objectives. Sustainability also means being able to implement efforts and measures internally. We are proud that our head office is located in a LEED-certified building, and that we encourage our employees to adopt more sustainable means of transportation, notably by reimbursing transportation tickets for those who work in the office two or more days a week. Kaleido has also eliminated the use of water bottles in its meeting rooms and adopted various other measures to reduce its own environmental impact. Because to be consistent, we also need to analyze our own habits.



## Case study

### Ontario Power Generation's green bonds: renewable energies

Kaleido's portfolios include green bonds issued by governments and carefully selected companies. These bonds are used to raise capital that is allocated to projects with tangible benefits in terms of environmental protection, reducing GHG emissions or adapting to climate change.

One of the projects funded involves the development of Ontario Power Generation's (OPG) very first solar farm: Nanticoke Solar. In partnership with two Indigenous groups, OPG recently completed construction of the project on the site of what was the province's largest coal-fired power station.

#### OPG Green Bonds

2.893% 2025  
and 3.215% 2030

#### Project cost

\$76.6M

#### Impact

-411 tCO<sub>2</sub>eq/\$M  
Total annual emissions potentially  
avoided of 31,498 tCO<sub>2</sub>eq

#### Contribution to the Sustainable Development Goals (SDGs)



Source: AlphaFixe Capital Inc.





## Performance metrics and methodology

### Eligibility criteria for green and sustainable bonds

#### AlphaFixe Capital Inc.

AlphaFixe Capital Inc. believes that active management of green bonds makes it possible to participate in the financing of a low-carbon economy without sacrificing yield. Fixed-income securities are used, among other things, to finance projects to reduce greenhouse gases or adapt to climate change. The investments selected must meet the selection criteria for green and sustainable bonds established by the AlphaVert and AlphaDurable proprietary validation processes. These criteria are based in particular on the *Green Bond Principles* and the *Climate Bonds Taxonomy*.

AlphaFixe considers green or sustainable bonds to be those that have been labelled as such by the issuer, or those whose actions are aligned with the fight against climate change. This applies when the issuing company or financed project generates at least 90% of its revenues through activities that comply with the *Climate Bonds Taxonomy* or contribute to one of the Sustainable Development Goals (SDGs) related to social aspects.

#### Fiera Capital Corporation

When Fiera Capital Corporation's managers invest in a green and sustainable bond, they examine the "use of proceeds" for the issue in question. The prospectus sets out details of the specific actions/activities/projects to which the funds will be allocated, and the managers ensure that all these actions/activities/projects are eligible under the particular issuer's green bonds.

As far as issuers are concerned, most of those issuing green bonds already have a "Green Financing Framework" in place. When such a framework is published, the Fiera Capital Corporation team analyzes its compliance with the International Capital Market Association's (ICMA) principles for green and sustainable bonds.

#### Montrusco Bolton Investments Inc. (MBI)

Green and sustainable bonds held in the portfolio must be issued in accordance with the "Green Bond Principles" established by the International Capital Market Association (ICMA).

PMB's proprietary ESG assessment framework focuses on five pillars of sustainability. They focus on the following areas: Planet, People & Society, Governance, Operations and Disclosure. An ESG score is calculated by analyzing public documentation relating to ESG factors specific to these five pillars. This score highlights the ESG performance of each corporate issuer and allows for comparison between them.

## Carbon intensity calculation methodologies

Carbon intensity measures the greenhouse gas (GHG) emissions of each company in a portfolio, expressed in tonnes of carbon dioxide equivalent (or t CO<sub>2</sub>eq) per million US dollars of sales over a given period. The emissions measured generally include direct emissions of type 1 (*scope 1*), whose sources are within the company's perimeter (transformation processes, installations, plants, etc.), as well as indirect emissions of type 2 (*scope 2*), i.e. emissions generated by third parties to produce the electricity used by the company. Type 3 emissions, i.e. those attributable to the consumption of the company's products or services further down the value chain, are generally not measured.

In order to be able to compare the footprint of portfolios, it is useful to normalize annual emissions to the value of the company's sales. The carbon intensity of portfolios is thus measured per unit of \$1 million in sales (or revenues).

### AlphaFixe Capital Inc.

The carbon footprint report covers corporate bonds only. The carbon intensity of an issuer is equal to Type 1 and Type 2 emissions divided by the issuer's annual revenues in US dollars. Companies not covered by the carbon footprint calculation are assigned the average of their respective industries in the benchmark index. The weighted sum of the industries' carbon intensity gives the portfolio's carbon intensity in t CO<sub>2</sub>eq per million US dollars of revenue. AlphaFixe Capital uses its own internal data and resources to measure the carbon intensity of its portfolios.

### Fiera Capital Corporation

The carbon footprint report covers corporate bonds only. Fiera Capital Corporation calculates its portfolio emissions by taking a weighted average of the carbon intensity of its holdings. Carbon intensity is calculated according to type 1 and 2 emissions (scopes), and the normalization factor is based on company sales (in millions of US dollars).

This portfolio manager uses MSCI data to calculate the carbon intensity of its portfolios.

### Jarislowsky Fraser Limited

Jarislowsky Fraser Limited uses the services of its external provider MSCI to calculate the carbon footprint of its portfolios. The main methodology used to calculate the portfolio's carbon footprint is weighted average intensity, measured in "tonnes of CO<sub>2</sub>eq/\$M of sales". The calculation is made by adding up the carbon intensity (total type 1 and 2 emissions divided by the number of million dollars of sales) of all the positions held in the portfolio, weighted according to their weight.

## Montrusco Bolton Investments Inc. (MBI)

PMB uses the services of external provider Sustainalytics to calculate the carbon footprint of its portfolios. Sustainalytics' carbon intensity calculation methodology includes Category 1 and Category 2 emissions, as defined by the *GHG Protocol Corporate Standard*. The calculation of portfolio carbon intensity measures the volume of emissions per million dollars of sales (US), proportional to the quantity of shares held for each company in the portfolio. Sustainalytics defines Category 1 emissions as those from sources owned or controlled by a company, and Category 2 emissions as those indirectly related to the purchase or production of electricity, heat, steam and cooling by a company's entities.

## Amundi Canada Inc.

Carbon emissions data provided by Trucost. They correspond to companies' annual emissions and are expressed in tonnes of CO<sub>2</sub> equivalent. They include the six greenhouse gases defined in the Kyoto Protocol, whose emissions are converted into global warming potential (GWP) in CO<sub>2</sub> equivalent. Carbon intensity is calculated in euros, then converted to US dollars using the exchange rate at the end of the period.

Definition of scopes :

- Scope 1: all direct emissions from sources owned or controlled by the company.
- Scope 2: all indirect emissions induced by the purchase or production of electricity, steam or heat.



# Contact us

## About Kaleido

Kaleido Growth Inc. (hereinafter referred to as “Kaleido”) acts as promoter and distributor of scholarship plans and manages the assets held in these plans. A pioneer in its field, Kaleido helps families in Quebec and New Brunswick develop their children’s full potential.

As of December 31, 2023, Kaleido held nearly \$1.9 billion in assets under management on behalf of over 236,000 young people. Every day nearly 200 dedicated employees and representatives work to offer education savings and family support solutions that will serve as a springboard for our young people to build tomorrow’s society.

Our mission: to help every child reach their full potential by accompanying them on their journey to invent the society of tomorrow.

We look forward to receiving your comments and answering any questions you may have about our sustainable investment report.

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**KALEIDO**

