

2022 Sustainable Investment Report



KALEIDO



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MESSAGE FROM MANAGEMENT

Building our children's future by investing in a sustainable future



We are proud to present Kaleido's 2022 Sustainable Investment Report.

In 2020, Kaleido adopted its [Sustainable Investment Policy](#) as part of its drive to steer its investing decisions toward investments that put greater emphasis on environmental, social and governance concerns. In fact, since 2017, Kaleido has only done business with portfolio managers that are signatories to the Principles for Responsible Investment (PRI), an initiative supported by the United Nations. Accordingly, our managers have all made a commitment to take ESG factors into account in their investment processes and to report on their activities in that regard. In fact, two of our managers were recognized for incorporating ESG standards into their investment decisions at the 2022 Great Canadian ESG Championship: AlphaFixe Capital and Jarislowsky Fraser.

In addition, in 2022, Kaleido launched a new line of products incorporating ESG factors: **IDEO+ RESPs**. The new line includes three scholarship plans designed to meet families' needs and preferences regarding responsible investment. One of them, the **IDEO+ Responsible** plan, goes above and beyond our Sustainable Investment Policy. It incorporates impact investing principles for more positive social and environmental impacts, so that families can invest in a sustainable future for their children.

With the aim of protecting our clients' savings, all our actions are guided by a sense of responsibility. Investing sustainably is part of our values, our mission and our long-term vision. Helping every child reach his or her full potential is a sustainable investment in itself. Supporting companies that help make this vision a reality is not just natural – it is essential.

Aside from encouraging saving by offering scholarship plans and personalized advice, we concentrate our efforts on initiatives that drive Quebec toward a greener, more prosperous economy. Kaleido gives preference to portfolio managers based in Quebec. Focusing on the well-being of children, Kaleido also supports causes whose common denominator is a commitment to youth, thereby bolstering our local communities.

Building on our progress, we will pursue our efforts to mould the society of the future for our young people, our daily source of inspiration.

Isabelle Grenier, LL.B.
President and Chief Executive Officer

ABOUT THIS REPORT

Striving to understand and to constantly improve

Kaleido has been resolutely committed to the path of sustainable investing since 2017. In that spirit, we have made steady progress, and this second annual report is part of a long-term approach that we intend to pursue with discipline each year. Its purpose is to share our vision, objectives, and achievements, as well as to provide transparent and meaningful reporting on our extra-financial performance.¹

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.

¹ 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 managed by portfolio management firms that are [signatories to the Principles for Responsible Investment](#)

99 tonnes CO₂eq/M\$

[less carbon intensity](#)³ for our portfolios relative to their benchmarks⁴

17.6%

of our fixed income portfolio assets are [invested in green bonds](#)

71 dialogues

about ESG issues with companies in our portfolios

2x more

[green bonds](#) in our fixed income portfolios versus the end of 2020²

87 shareholder meetings

during which our portfolio managers exercised our [voting rights](#)

3 new IDEO+ plans

launched in 2022

Note: All data are as at December 31, 2022. Please note that some of our portfolio managers may have exercised our voting rights at one or more of the same shareholder meetings.

² Growth based on value in Canadian dollars of assets invested in green bonds.

³ Carbon intensity measures a portfolio's exposure to companies with high carbon emissions intensity. It is expressed in tonnes of CO₂ emissions per million US dollars of revenue. It is the metric recommended by the Task Force on Climate-Related Financial Disclosures (TCFD).

⁴ Average unweighted carbon intensity based on data provided by 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 longterm 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.

[View our Sustainable Investment Policy](#)

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

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 incorporate environmental criteria into our overall approach with the launch of the new line of IDEO+ RESPs. The line includes three scholarship plans designed to address families' needs and preferences. One of them, the [IDEO+ Responsible](#) plan, is particularly notable in that it not only complies with but goes above and beyond our Sustainable Investment Policy. It incorporates impact investing principles for more positive social and environmental impacts on two sustainability themes, climate change and children's well-being and education, so that families can invest in a sustainable future for their children.

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 helping young people to stay in school so that they can reach their full potential and play an active part in building the society they aspire to live in. We believe that financial assistance of this kind makes a significant difference in keeping young people from dropping out of school and serves as a confidence builder for our youth. To date, Éducaide has awarded over \$3 million to young people from less privileged backgrounds. In addition to founding the organization and providing material resources and office space, Kaleido actively contributes to the organization by making direct donations to it and playing a role in its annual fundraising event. Over the past six years, our employees have donated more than \$26,000 to Éducaide, and at the 2022 benefit, the Kaleido governors raised more than \$33,000.



Alloprof works hard to support student retention by providing free homework help to all Quebec students and their parents. It advances a goal that is near and dear to us: academic success from the start of elementary school. We are proud to have supported Alloprof for all these 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 is proud to support this foundation, whose mission is to ensure that adults and children develop the literacy skills they need to participate fully in society.

Contributing to investors’ financial health

Kaleido also contributes to the financial literacy of Quebec families by offering valuable assistance to its clients. The assistance is delivered by qualified service providers in the form of advice and practical tools. We also have a blog that presents relevant content accessible to all Quebecers who want to learn more about education savings and finance. In addition, we play an active role in raising awareness and educating investors about sustainable investment by sharing various information resources, including an e-book that deals exclusively with the 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.

Today, Kaleido continues to promote diversity and equal employment opportunities. Our Board of Directors is made up of men and women from a range of industries, and 45% of the Kaleido Foundation’s Board of Directors are women. In addition, the majority of our senior management positions are held by women.



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 2022 RESULTS

Proactive, industry-leading managers

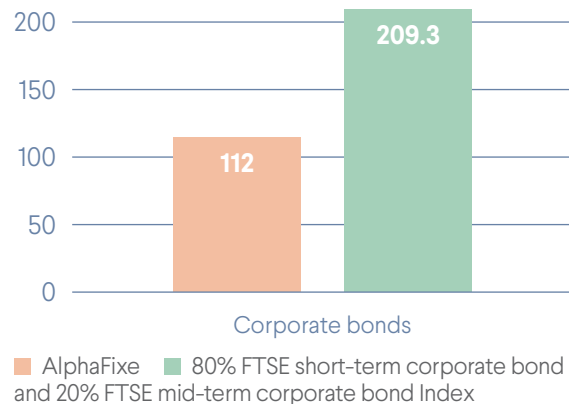
The integration of ESG criteria into all our investment decisions is supported by committed, meticulous portfolio managers. In addition to following the UN Principles for Responsible Investment (PRI), our managers provide better management of investment risks and opportunities for our clients while contributing to a sustainable future for our children. It is no coincidence that two of them took top honours at the 2022 Great Canadian ESG Championship.

AlphaFixe Capital

Winner of the Great Canadian ESG Championship, fixed-income category

Drawing on rigorous ESG methodologies developed over the past 10 years, AlphaFixe Capital's managers continue to excel in fixed income and green bond management. All funds managed by the firm exclude companies that explore for fossil fuels or exploit proven or probable reserves.

CARBON INTENSITY / tCO₂eq/M\$



Note: Carbon intensity relates solely to the portion invested in corporate bonds. Source of data: AlphaFixe Capital (the methodology used to calculate carbon intensity is provided in the appendix).

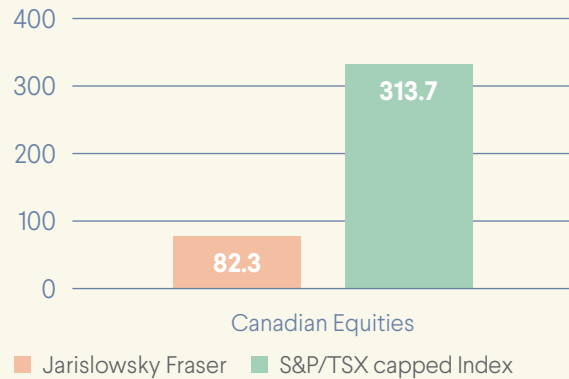


Jarislowsky Fraser

Winner of the Great Canadian ESG Championship, multi-asset category

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

CARBON INTENSITY / tCO₂eq/M\$

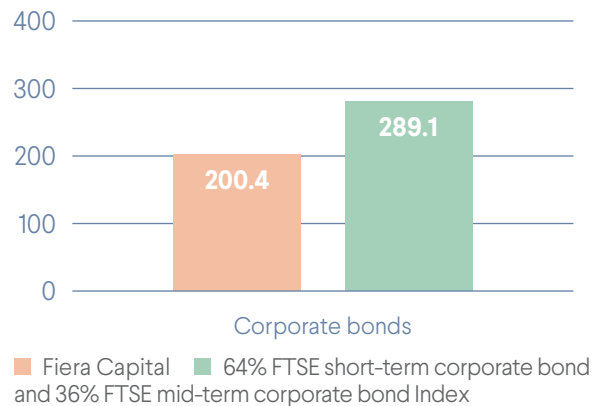


Source of data: MSCI and Jarislowsky Fraser (the methodology used to calculate carbon intensity is provided in the appendix).

Fiera Capital

This manager invests the assets of our plans in fixed-income securities using an active management approach that promotes yield enhancement and capital preservation. In addition, the investment strategy of the variable-income mandate is to invest in companies that employ sustainable management practices.

CARBON INTENSITY / tCO₂eq/M\$

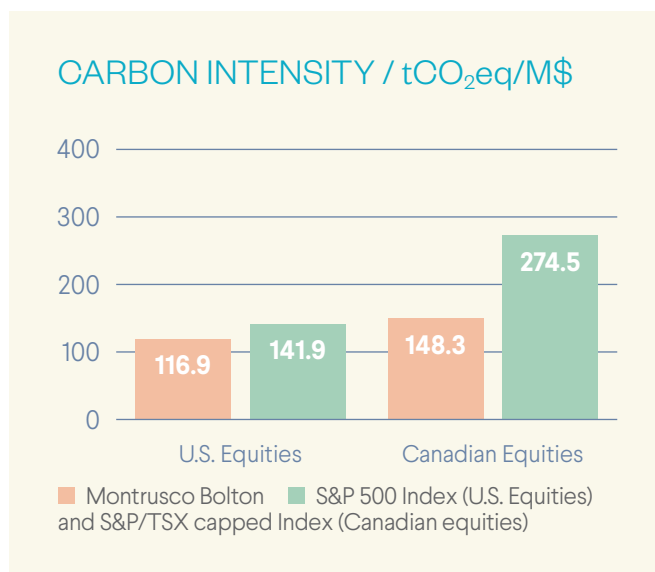


Note: Carbon intensity relates only to the portion invested in corporate bonds. Source of data: Fiera Capital and MSCI (the methodology used to calculate carbon intensity is provided in the appendix).



Montrusco Bolton Investments (MBI)

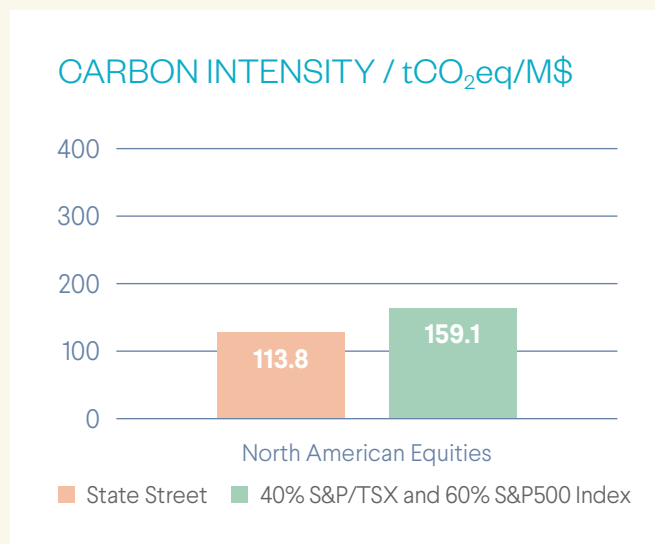
The firm invests the assets of our plans in government and corporate bonds, as well as North American equities. Its investment teams monitor companies' carbon footprints as part of climate risk management. ESG criteria are central to MBI's investment decisions.



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

State Street Global Advisors (SSGA)

SSGA emphasizes the pursuit of long-term value through a systematic investment approach. While taking ESG factors into account, its strategy aimed at mitigating the effect of volatility across the portfolio. In 2022, the SSGA team invested the assets of our plans in Canadian and U.S. equities, targeting high-dividend stocks.



Source of data: ISS ESG and State Street Global Advisors (the calculation methodology is provided in the appendix).



The energy transition at the heart of our priorities

In addition to taking into account the behaviour of companies with regard to their environmental impacts by assessing how they manage climate-related risks, we favour investments with direct positive effects on the climate and natural resources. At Kaleido, we believe in having an impact and are driven by the idea of creating a greener world for future generations. That is why we have chosen to invest more in green bonds to support projects with the potential to realize our vision.

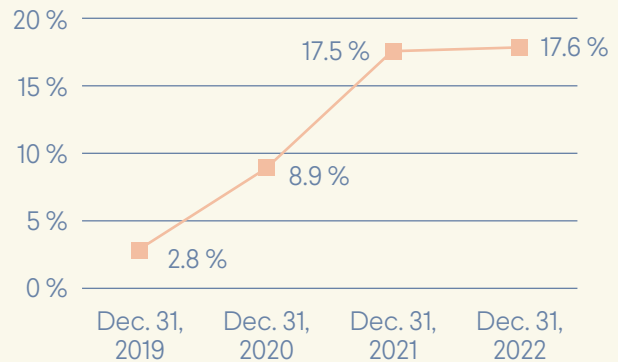
Spotlight on green bonds

Green bonds are debt securities issued to raise capital, which is then allocated to specific projects with tangible environmental benefits.

Kaleido contributes to a lower-carbon economy by setting targets to increase the proportion of green bonds held in its scholarship plan portfolios, in line with market issuance opportunities.

The proportion of green bonds in the portfolios of our scholarship plans is increasing each year. By the end of 2022, this proportion had risen to 17.6%.

Green bond weighting: strong and steady growth



Note: Weight of green bonds as a percentage of Kaleido's entire bond portfolio



Being part of the solution!

At Kaleido, we believe in the importance of adopting business practices consistent with our sustainable investing objectives. Sustainability also means being able to deploy efforts and metrics internally. We are proud that our head office is in a LEED-certified building and we encourage our employees to adopt more sustainable means of transportation by reimbursing their public transit passes. Kaleido has also eliminated bottled water in its meeting rooms and adopted various other measures to reduce its own environmental impact. Because, to be consistent, we must also look at our own habits.

Case study

Allied Properties green bonds: Tangible impacts

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 environmental protection, reducing GHG emissions or adapting to climate change. One of the projects being financed involves modernizing equipment at Nordelec, an 830,000 sq. ft. multi-use property in Montreal. The modernization includes window replacement, roof insulation and the installation of an energy management and control system. This Allied Properties project will deliver significant energy savings.



Project costs
\$37.9 M



Impact
-34 tCO₂eq/\$M

Potentially avoided annual emissions of 1,300 tCO₂eq



-97 625 kWh/\$M

Total annual energy savings of 3,700 kWh

Source : AlphaFixe



Contact us

About Kaleido

Our mission: To help children achieve their full potential by accompanying them on their journey toward a brighter future.

Kaleido Growth Inc. ("Kaleido") acts as a promoter and distributor of scholarship plans and manages the assets held in such plans. A pioneer in its field, Kaleido supports Quebec and New Brunswick families that want to help their children reach their full potential. As at December 31, 2022, Kaleido had close to \$1.8 billion in assets under management, benefiting more than 236,000 young people. Nearly 200 employees and representatives dedicate themselves every day to offering education savings and family support solutions that serve as a springboard for young people who will build the society of tomorrow.

We welcome your comments and questions about our sustainability report.

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KALEIDO



Performance metrics and methodology

Eligibility criteria for green bonds

AlphaFixe Capital

AlphaFixe Capital believes that active management of green bonds makes it possible to participate in the financing of a low-carbon economy without sacrificing returns. Fixed-income securities have various purposes, including the financing of projects to reduce greenhouse gases or adapt to climate change. The investments selected must meet the green bond selection criteria established by the proprietary AlphaGreen validation process. These criteria are based in particular on the Green Bond Principles and the Climate Bonds Taxonomy. AlphaFixe considers bonds to be green when they are labelled as such by the issuer or are aligned with the fight against climate change, and when at least 90% of the income generated by the issuer or the project being financed comes from activities compliant with the Climate Bonds Taxonomy.

Fiera Capital

When Fiera Capital's managers invest in a green bond, they examine the "use of proceeds" for the issue in question. The prospectus provides details about the specific actions/activities/projects to which the funds will be allocated, and the managers ensure that all such actions/activities/projects are eligible under the particular issuer's green bonds. As for green bond issuers, most of them already have a "Green Financing Framework" in place. When such a framework is published, the Fiera Capital team analyzes its compliance with the Green Bond Principles of the International Capital Market Association (ICMA).

Montrusco Bolton Investments (MBI)

Green bonds held in the portfolio must be issued in accordance with the Green Bond Principles established by the International Capital Market Association (ICMA). To assess the potential impact of portfolio investments, PMB evaluates each sustainable bond on the basis of the United Nations Sustainable Development Goals (SDGs), focusing on categories where the issuing companies can exert real influence.

MBI's proprietary ESG sustainability assessment framework focuses on five pillars of sustainability. These focus on the following areas: Planet, People & Society, Governance, Operations and Disclosure. A proprietary ESG score is obtained by analyzing publicly available documentation of specific ESG factors, according to the five pillars. The ESG score highlights the ESG performance of each corporate issuer and enables comparable analysis.

Carbon intensity calculation methodologies

Carbon intensity measures the greenhouse gas (GHG) emissions of each company in a portfolio in metric tons of carbon dioxide equivalent (or tCO₂eq) per million US dollars of sales over a given period. The emissions measured generally include Scope 1 (direct) emissions, which are from sources controlled or owned by the company (transformation process, facilities, factories, etc.), and Scope 2 (indirect) emissions, which are generated by third parties to produce the electricity used by the company. Scope 3 emissions – those attributable to the consumption of the company’s products or services further down the value chain – are generally not measured. To compare portfolio footprints, it is useful to normalize annual emissions to the value of the company’s sales. Hence, the portfolios’ carbon intensity is measured per million dollars of sales (or revenue).

AlphaFixe Capital

The carbon footprint report only covers corporate bonds. An issuer’s carbon intensity is equal to its Scope 1 and 2 emissions divided by its annual revenue in U.S. dollars. Companies not covered by the carbon footprint calculation are assigned the average for their industry in the benchmark index. The weighted sum of the industries’ carbon intensity gives the portfolio’s carbon intensity in tCO₂eq per million U.S. dollars of revenue. AlphaFixe Capital uses its own internal data and resources to measure the carbon intensity of its portfolios.

Fiera Capital

The carbon footprint report only covers corporate bonds. Fiera Capital calculates its portfolio’s emissions by taking a weighted average of the carbon intensity of its holdings. Carbon intensity is calculated on the basis of Scope 1 and 2 emissions, and the normalization factor is based on company sales (in millions of U.S. dollars). This portfolio manager uses MSCI ESG data to calculate the carbon intensity of its portfolios.

Jarislowsky Fraser

Jarislowsky Fraser uses the services of external supplier MSCI to calculate its portfolios’ carbon footprint. The main methodology used to calculate a portfolio’s carbon footprint is the weighted average intensity, which is measured in “metric tons of CO₂eq/\$M of sales.”

It is calculated by adding up the carbon intensity (total Scope 1 and 2 emissions divided by the number of million US dollars of sales) of all the positions held in the portfolio, each multiplied by its weight. For example,

- If Company A had 0.5 million metric tons of Scope 1 and 2 emissions and sales of \$100 million in 2022, its carbon intensity is 5,000.
- If Company B had 0.2 million metric tons of Scope 1 and 2 emissions and sales of \$500 million in 2022, its carbon intensity is 400.
- If Company A accounts for 3% of the portfolio’s holdings and Company B for 5%, the portfolio’s carbon footprint will be 170.

Montrusco Bolton Investments (MBI)

MBI uses the services of external supplier Sustainalytics to calculate its portfolios' carbon footprint. Sustainalytics's carbon intensity calculation methodology includes Scope 1 and 2 emissions, as defined by the GHG Protocol Corporate Standard. The calculation of portfolios' carbon intensity measures the volume of emissions per million U.S. dollars of sales proportional to the quantity of shares held for each company in the portfolio. Sustainalytics defines Scope 1 emissions as those from sources owned or controlled by a company, and Scope 2 emissions as indirect emissions associated with the purchase or production of electricity, heat, steam and cooling by a company's entities.

State Street Global Advisors (SSGA)

The carbon intensity data for SSGA's portfolios comes from the external supplier ISS ESG. The data is the quantity of the issuers' Scope 1 and 2 emissions divided by their annual revenues (in millions of US dollars).

