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Responsible Investment Guidelines

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INTRODUCTION

The following document outlines the Responsible Investment Guidelines used by Vestcor in executing its' ownership responsibilities with both public and private investments.

These guidelines include direction in terms of proxy voting procedures and guidance on socially responsible investment issues. The guidelines are the responsibility of the President and have been formulated with the input of a cross company working group and the Vestcor Board of Directors. They have also considered any direct or implicit related direction received from our Clients.

In all cases these guidelines are based on the following two objectives that form the basis of each of the investment policies for our funds under management:

- Maximize risk adjusted investment returns, and
- Protect accumulated assets.

Investment policies for the funds under our management directly indicate that the voting rights on shares held by Vestcor shall be exercised according to these objectives. The Board of Directors also delegates these voting rights to the President of Vestcor to fulfill. The following guidelines have therefore been produced to further outline how this responsibility will be carried out and accounted for.

As a long term investor, Vestcor is very interested in enhancing shareholder value for the benefit of our funds under management. Good corporate governance is well recognized as contributing to better corporate performance and long-term investment returns.

This interest is shared across a number of peer institutional pension fund managers, and is manifested in a number of industry groups and associations. Vestcor has been an active member in both the Pension Investment Association of Canada (PIAC) and the Canadian Coalition for Good Governance (CCGG). Both of these organizations act as an excellent resource and advocate for governance guidelines and are utilized by Vestcor to help with our activities and direction in corporate governance and proxy voting guidelines.

VESTCOR RESPONSIBLE INVESTMENT PRINCIPLES

We have developed the following principles to detail how Vestcor will execute its role as an investor. As such, we will help ensure that a proper governance structure is in place in the companies in which we invest and companies meet and support the overriding mandate of Vestcor, which is to exceed the long-term rates of return required by our clients without undue risk of loss.

We strive to ensure that our clients, employees, portfolio companies and all parties with whom we do business can rely on Vestcor to assist in ensuring that our investee companies perform in responsible and ethical manner. Our core principles are:

1. **Monitoring** – We encourage and monitor portfolio companies and external managers to implement good governance and corporate responsibility practices and ensure that appropriate structures and controls are in place to maximize shareholder value and reduce risk.
2. **Active Ownership** – We will exercise voting rights in the best interests of our clients. Shareholder rights, which include the right to vote, are assets, and are to be managed with the same prudence and diligence as any other asset.
3. **Engagement** – Proxy voting is an important component of our engagement process. When appropriate, Vestcor will either individually or collaboratively engage with the Board of a company if monitoring reveals significant governance concerns or uncertainty in a company, either individually or collaboratively, as appropriate and in the best interests of our clients.
4. **Transparency** – Vestcor strives to be as transparent as possible with our approach to voting proxies and engagement.

PROXY VOTING

Proxy voting is the most prominent means in which an investor can participate in the corporate governance process.

Vestcor invests in financial securities by three means; direct purchases, derivative contracts, and through external managers. The proxy process for each of these is outlined below:

Directly Held Shares

In cases where we directly hold securities the proxies received will be forwarded to the applicable investment team that has invested in the security. The team will follow the PIAC guidelines when voting the proxy and forward the result to the President (or Designate). The President (or Designate) will review, acknowledge, and have the completed proxy forwarded back to the investee company or appropriate agent.

Vestcor uses the services of a third party agent through which it exercises its voting rights. Records are both paper and electronic. Paper records are maintained for the current fiscal year plus two additional years and subsequently destroyed. Electronic records are kept for seven years and then destroyed. Reports are generated monthly, reviewed by the President and senior management, and available for inspection by our auditors or the Board.

It is possible that cases considered to be unique will arise and require further analysis or interpretation. These will be brought to the attention of the President who may coordinate a number of resources both internal, and external to Vestcor to provide further analysis on the situation. Examples of applicable external resources are outlined in the section "Other Resources".

It should also be noted that a number of Vestcor investment portfolios participate in securities lending opportunities. These opportunities provide additional income to Vestcor by lending securities to other investors. Securities which are part of the lending program do not however provide Vestcor with the ability to exercise the applicable proxy. In these cases Vestcor always reserves the right to call back securities that are on loan to be able to vote the proxy. In practice however this activity would only be undertaken if it was deemed in advance that a specific proxy related issue was extremely grievous to investors, and that our vote could be a deciding factor in the outcome of the issue.

Derivative-Based Exposure

While derivative-based exposure, in certain circumstances, provides for a cost efficient means of gaining exposure to various markets, it unfortunately does not provide for the ability for Vestcor to vote proxies of underlying securities. The physical securities are typically held by the counterparty to the derivative transaction.

Through discussions with a number of our derivative counterparties we have found that they typically do not play an active role in the proxy process and therefore take a neutral stance by abstaining from the voting process.

External mandates

Vestcor utilizes the services of external managers for specific mandates. In these cases Vestcor will actively review and discuss the manager's proxy voting process during the initial due diligence process before a manager is retained.

Vestcor also requires the manager to submit its proxy voting history to us on a quarterly basis which is subsequently reviewed by Vestcor management (the President or Designate). This information is filed under the appropriate manager in Vestcor's central files and is available for inspection by Vestcor auditors or the Board.

In specific circumstances Vestcor also reserves the right to discuss our view on a particular proxy related issue with an external manager in advance of a voting deadline. In addition, Vestcor management meets with each external manager at a minimum on an annual basis. These meetings provide an opportunity for Vestcor to discuss proxy voting issues with the external manager.

PRIVATE MARKETS

Private market investments generally take the form of either limited partnership interests in funds managed by third party general partners or as direct investments.

Investment decisions within a limited partnership are made by fund managers. As such, Vestcor does not have input into the investment decision making, but rather, selects the underlying manager. As part of our manager selection process, we gather information from managers on their responsible investing processes. This is one of the elements that we will consider, amongst others, prior to making a commitment to a limited partnership.

Following our commitment, we monitor investment activity closely through quarterly and annual reporting, periodic manager meetings, participation at fund annual general meetings and participation on advisory board (on occasion). As part of our monitoring, we review managers' reporting on environmental, social and governance issues and will focus our discussions with managers on such issues when we feel the situation is warranted.

ENGAGEMENT / ACTIVE DIALOGUE

Direct engagement with public companies is conducted in exceptional circumstances due to Vestcor's limited internal resources. Organizations such as the CCGG and PIAC have however successfully played an active role in improving governance issues in a number of Canadian public companies, by interacting through quiet moral suasion techniques. Nonetheless, our active membership and participation in these organizations does not limit us from a more direct engagement process such as a submission of a formal letter or request, requesting a meeting with company management, or filing a shareholder resolution.

With respect to private investment activities, Vestcor typically participates more directly due to a more significant ownership stake and the private nature of the investment. These roles may involve a Board of Director position in a direct company investment, or an Investment Advisory Board seat in a private investment partnership.

CLASS ACTION

Vestcor participates in class action legal activity directed against investee companies in situations when, by a company's action or omission, we have suffered a loss in investment value and whereby we feel that we can retrieve a significant portion of this loss through legal action.

These situations are monitored by management and reported to the Board of Directors on a quarterly basis.

SOCIAL INVESTMENT ISSUES

As mentioned in the Introduction, the investment policies for our funds under management outline two main objectives:

- Maximize investment returns, and
- Protect accumulated assets.

In most cases we believe that the laws and regulatory agencies of the specific countries in which we invest are the most adept to opine on social issues; however, Vestcor does believe that responsible corporate behavior is related to good long-term corporate performance. It is therefore important to point out that some social responsibility issues may very well affect our view on a specific company's long-term shareholder value. In those cases we will use any governance related means at our disposal to address the issue with the company in question.

OTHER RESOURCES

PIAC will provide the main framework for our Governance Guidelines. Vestcor is an active and engage PIAC member, and believe the proxy voting guidelines are aligned with our beliefs and are seen as best practices. The link to PIAC's Corporate Governance Principles and Guidelines can be found at: <http://www.piacweb.org/files/PIAC-Corporate-Governance-Principles-and-Guidelines-14-09-29.pdf>.

Vestcor management will periodically use additional resources as an aid in analyzing more difficult proxy situations, or in periodically reviewing our own internal policies and guidelines, including the Canadian Coalition for Good Governance (CCGG) (<http://www.ccg.ca/>).