TRIASIMA

Stewardship Policy

Stewardship for responsible investors is defined as fulfilling their responsibilities as fiduciaries to their clients to enhance the long-term sustainable added value and to ultimately benefit people, planet and investment returns.

Stewardship activities can take different forms such as regular meetings with senior corporate executives or management; engagement with specific ESG objectives; reactive engagement pursuant to corporate controversies; writing to companies to raise concerns or ask for more disclosure around relevant issues; raising issues through advisers; exercising voting rights to incentivize best ESG practices and influence corporate actions; and engaging with collaborative engagement groups to drive a transformational change.

We believe that these stewardship activities are key aspects of responsible investment processes.

1. Engagement

Engagement philosophy

Engagement is considered a learning process and constructive dialogue in which Triasima tries to comprehend industry-specific ESG issues and assimilate data provided by companies to better assess and manage ESG risks and opportunities and inform investment decisions. Our objectives are to contribute to the advancement of sustainability strategies, good governance and climate opportunities by investee companies, as well as promote a greater transparency and accessibility to sustainability data by encouraging public disclosure of sustainability-related information.

Engagement approach

Our engagement approach is based on specific principles which include: (1) ensuring a positive contribution to sustainability goals, (2) avoiding negative impacts on other sustainability goals i.e., do no significant harm, (3) reflecting good governance and transparency, (4) being science or evidence-based for sustainability issues, and (5) addressing climate transition issues when relevant. While we refer to these broad principles inspired by the G20 Sustainable Finance Roadmap 2022, we also acknowledge that our approach depends on our clients' preference and targeted sustainability objectives.

Engagement priorities identification

Engagement priorities are identified based on both their materiality and their importance to various stakeholders.

Materiality is determined using the impact of a company on its environment and society but also the impact of environmental and societal issues on a company (i.e., double materiality). Material ESG issues are of particular interest since they influence firms' financial performance. For instance, carbon emissions are most likely to influence corporate financial performance due to regulatory changes resulting in different carbon pricing regimes such as emissions trading systems and carbon tax. Other ESG issues are also becoming important to an increasing number of impact-focused investors and are likely to become financially material when new regulations are effectively enforced. Thus, we both consider financially material issues and other ESG issues.

Engagement priorities are also determined based on industry shared ESG priorities, notably climate change. While climate change is estimated to cause a loss (value at risk) ranging from US$4.2 trillion to US$43 trillion to

manageable global assets between now and the end of the century, mitigation practices consistent with a 2 degrees Celsius scenario will reduce the average loss by at least half to US$2 trillion[1]. Since climate change implications can be costly to investors, both investors and investee companies should consider mitigation practices – such as increasing the use of renewable energy, improving energy efficiency, adopting new green technologies, and restoring and enhancing critical ecosystems. Thus, we engage with companies on their mitigation practices, their capital allocation, and climate governance, which ultimately help us manage portfolios' risks and work toward a more efficient allocation of capital and a more resilient green transition.

Collaborative engagement

One major challenge facing investors is their lack of capacity for firm-specific engagement, especially due to the complexity of global systemic risks such as climate change. Acting on the complexity of climate change with concrete measures by companies could be perceived as costly and thus creates an incentive to reject the recommended actions by investors, particularly in the absence of regulations. To overcome this resistance and drive a behavior change, collective action is clearly needed.

Collaborative engagement is a means to enforce an expectation of behavior and manage risks associated with high societal expectations such as climate action. Collaborating with our industry peers is also likely to improve our engagement efforts by getting better access to top corporate management and boards and thus have greater influence. Collaborative engagement may also increase the sophistication level of the ESG dialogue. By pooling resources with industry peers, more in-depth questions may result in a better understanding of material ESG issues and requiring companies to communicate around such issues.

2. Proxy voting

Our voting policies ensure we support progressive proposals which emphasizes the respect of human rights, climate risks management and disclosure, gender and racial equality and best ESG practices' adoption. We pay particular attention to board members nominations by applying specific principles notably independence, diversity, expertise, and responsiveness to shareholders' requests. In 2024, we added guidelines to address boards' diversity, racial equity, climate change and biodiversity.

Boards' diversity guidelines / Most strategies

Rationale

These guidelines aim to foster a better diversity at the highest levels of corporate leadership. Studies have shown that gender diverse boards are likely to ensure better ESG risk management due to many reasons including a different attitude toward risk and thus a more balanced decision making; and better board attendance which is likely to enhance boards' effectiveness and thus increase the firm's performance[2]. A more gender diverse board is also likely to increase its understanding of key stakeholders and consumers' expectations particularly since women make 70% of purchasing choices[3]. Therefore, we prioritize diversity in our voting policies and recommend the following minimum standards.

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[1] *The cost of inaction.pdf (economist.com)

[2] Across the Board Improvements: Gender Diversity and ESG Performance (harvard.edu)

[3] Women on Boards - Bloomberg

- For Canadian, Australian and UK companies, we vote against the chair of the nominating committee if the board is comprised of less than 30 percent (and 33% for UK companies) of underrepresented gender identities.
- For Canadian and UK companies, we vote against the chair of the nominating committee if the board lacks at least one racially or ethnically diverse director.
- For EU companies, we vote against members of the nominating committee if the board is not at least comprised of 40 percent of underrepresented gender identities.

Climate change, biodiversity and racial equity guidelines / Triasima All Country World Equity Sustainable Development Strategy

Rationale for climate change guidelines

A new study showed that only 29% of board directors agree that they have the required expertise to effectively challenge management on sustainability issues and exercise oversight over their execution[4]. The knowledge challenge is exacerbated by the complexity of specific sustainability issues such as climate change. For energy and financial sectors – sectors for which climate is a material issue - a higher share of directors (44%) completely agree that they have a sufficient executional knowledge of these issues. To ensure directors have the required knowledge to challenge the oversight of material sustainability plans, we recommend the following minimum standards.

- For global and Canadian companies, in case the board lacks climate expertise we vote against the chairman of the nominating committee, or against the chairman of the board in the absence of such a committee. This currently applies to most carbon-intensive companies covered by global climate initiatives Climate Action 100+ and Climate Engagement Canada.
- For global and Canadian companies, we vote against the proposed auditor if climate risks are not adequately disclosed in the financial statements. This currently applies to companies covered by Climate Action 100+ and Climate Engagement Canada.

Rationale for biodiversity and racial equity guidelines

The effects of climate change amplify other environmental and social challenges. Climate change alters biodiversity by changing climatic conditions which in turn influences the ecosystem's ability to act as a carbon sink and to offset emissions and limit climate change. The failure to address climate change and biodiversity challenges also compromises people's quality of life and exacerbates preexisting economic inequalities. For instance, most Black people in the United States live in the southeast where exposure to climate change impacts such as extreme heat, hurricanes and flooding are particularly high[5]. Thus, to address these deeply connected issues, we support the following good practices.

- We vote in favor of proposals requiring companies to publish, monitor and set targets for nature-related dependencies and impacts as recommended by the Taskforce on Nature-related Financial Disclosures (TNFD).

[4] Challenges of Devising a Corporate Sustainability Strategy | BCG
[5] Climate change and race: The impact on Black lives | McKinsey

- We vote in favor of proposals requiring companies to complete a racial equity audit by independent third parties, unless the company has already fulfilled such an audit within the last three years and has adopted a governance mechanism to monitor racial equity issues.

3. Approach to escalation

We can use different escalation strategies in case companies are less responsive to our stewardship efforts. This includes underweight holdings, votes against re-election of responsible board members, or divestment.

For instance, escalating ESG issues to the directors' elections allow us to hold the boards more accountable on ESG matters. Holding boards accountable is needed to: ensure their ability to handle current and potential risks and opportunities; safeguard cost effectiveness when taking decisions related to climate-related issues (and other issues); and assure the necessary skills to understand the shifts in business-as-usual principles as a result of the climate crisis. Thus, the boards' knowledge gap should be addressed to effectively protect shareholder value.

4. Approach to managing conflicts of interests

Generally, conflicting interests can arise from different situations. For instance, the views from internal portfolio managers can differ from those of the ESG team who take charge of proxy voting and engagement with investee companies. Investment managers worry that they will lose access to management of companies if their ESG team is seen as activist or aggressive. Conflicts of interests may also arise from a client or a manager's pressure on the ESG team to abstain from opposing a director's re-election, or executive pay or other matters. To mitigate the adverse impacts of conflicts of interests on the ability of asset managers to pursue their responsible investors' duties, different remedies can be adopted.

To ensure the impartiality of our investment decisions, we outsource our voting activities to independent third parties who exercise votes in accordance with published or available voting guidelines. That being, we keep the right to override the voting decision from our service providers. In such a case, the report would show that the vote was not fulfilled according to policy. We also have regular engagement discussions with companies and our investment team is not constrained in any respect.

5. Reporting of stewardship results

We are committed to providing regular reporting on active ownership both internally and externally. Our voting reports are made public on our website. Moreover, every engagement is recorded following the discussion with the company, and then shared internally. For external stakeholders and clients, we share engagement reports on an ad hoc basis.