



OCTOBER 2024

# STEWARDSHIP GUIDELINE

## CONTENTS

<b>INTRODUCTION</b>	<b>2</b>
<b>PURPOSE</b>	<b>2</b>
<b>SCOPE</b>	<b>2</b>
<b>STEWARDSHIP PRINCIPLES</b>	<b>3</b>
<b>IMCO'S STEWARDSHIP APPROACH</b>	<b>4</b>
Identifying and Prioritizing Engagements	4
Engaging with Companies on Material Issues	5
Engaging with External Managers/General Partners	5
Exercising Shareholder Rights	6
Collaborating with Other Investors	6
Advancing Policy Through Advocacy	6
Engagement Escalation	6
<b>TRANSPARENCY, DISCLOSURE AND REPORTING</b>	<b>7</b>
<b>GOVERNANCE</b>	<b>7</b>
Review and Approval	7
Non-material and Material Revisions	7
Exceptions	7



## INTRODUCTION

IMCO defines stewardship,<sup>1</sup> also known as active ownership, as: “the use of influence by institutional investors to maximize overall long-term value including the value of common economic, social and environmental assets, on which returns and clients’ and beneficiaries’ interests depend.”

IMCO believes that stewardship helps us better manage risk and contributes to long-term sustainable value. As such, we aim to use our influence to promote strong sustainability practices, which include climate and environmental, social and governance (“ESG”) considerations, whether through direct engagement with portfolio companies and external managers, proxy voting or collaborative engagement with our peers.

As a signatory to the Principles for Responsible Investment (“PRI”),<sup>2</sup> IMCO supports Active Ownership 2.0<sup>3</sup> which focuses on 1) the outcomes seen in the real world, 2) outcomes that benefit economies and societies as a whole, 3) collaboration with other investors and service providers.

## PURPOSE

This Stewardship Guideline (the “Guideline”) describes our stewardship approach for engaging with entities in which we invest on material sustainability issues.

Our stewardship activities seek to influence portfolio companies and external managers to adopt sustainable business practices that are consistent with long-term value creation, which includes management of sustainability risks and opportunities.

## SCOPE

This Guideline applies to all investments and asset classes where IMCO has ownership and can meaningfully influence and/or control investable assets. A core part of our engagement efforts focuses on long-term value creation, and priorities outlined in our Sustainability Beliefs as defined in IMCO’s [Sustainable Investing Policy](#).

1 <https://www.unpri.org/stewardship/about-stewardship/6268.article>

2 <https://www.unpri.org/download?ac=12686>

3 <https://www.unpri.org/download?ac=9721>

## STEWARDSHIP PRINCIPLES<sup>4</sup>

As a member of the International Corporate Governance Network (“ICGN”) and the Canadian Coalition for Good Governance (“CCGG”), IMCO endorses the ICGN and CCGG’s Stewardship Principles (“SPs”) and aligns our stewardship approach with the SPs.

### ICGN Global Stewardship Principles

#### **PRINCIPLE 1 – Stewardship Commitment:**

Commit to a responsible and transparent approach to stewardship that aims to protect and enhance long-term value for beneficiaries and clients. This contributes to capital market efficiency, integrity and resilience, and to sustainable economic growth.

#### **PRINCIPLE 2 – Robust Governance:**

Ensure robust governance structures and processes that provide oversight, fairness, transparency, and accountability for effective stewardship, thereby mitigating risk and enhancing value for beneficiaries and clients.

#### **PRINCIPLE 3 – Monitoring and Engagement:**

Ensure constructive engagement to mitigate risks and enhance opportunities, to create long-term value for beneficiaries and clients.

#### **PRINCIPLE 4 – Voting and Ownership Rights:**

Ensure ownership rights and responsibilities are exercised in an informed and transparent manner, applying due care, diligence and independent judgement, across all asset classes, for beneficiaries and clients.

#### **PRINCIPLE 5 – Public Policy Advocacy:**

Consider using public policy advocacy efforts to mitigate market-wide issues or systemic risks, thereby protecting and enhancing value for beneficiaries and clients, and safeguarding capital market efficiency, integrity, and resilience.

### CCGG Stewardship Principles<sup>5</sup>

**PRINCIPLE 1:** Develop an approach to stewardship - Institutional investors should develop, implement and disclose their approach to stewardship and how they meet their stewardship responsibilities.

**PRINCIPLE 2:** Monitor companies - Institutional investors should monitor the companies in which they invest.

**PRINCIPLE 3:** Report on voting activities - Institutional investors should adopt and publicly disclose their proxy voting guidelines and how they exercise voting rights.

**PRINCIPLE 4:** Engage with companies - Institutional investors should engage with portfolio companies.

**PRINCIPLE 5:** Collaborate with other institutional investors - Institutional investors should collaborate with other institutional investors where appropriate.

**PRINCIPLE 6:** Work with policy makers - Institutional investors should engage with regulators and other policy makers where appropriate.

**PRINCIPLE 7:** Focus on long-term sustainable value - Institutional investors should focus on promoting the creation of long-term sustainable value.

<sup>4</sup> <https://www.icgn.org/sites/default/files/2024-10/ICGN%20Global%20Stewardship%20Principles%202024.pdf>

<sup>5</sup> <https://ccgg.ca/stewardship-principles-endorsers/>

## IMCO'S STEWARDSHIP APPROACH

Our stewardship approach focuses on long-term sustainable value creation and involves the following activities:

- Identifying and prioritizing engagements
- Engaging with companies on material issues
- Engaging with external managers/general partners
- Exercising shareholder rights such as proxy voting
- Collaborating with other investors
- Advancing policy through advocacy
- Engagement escalation

### Identifying and Prioritizing Engagements

IMCO recognizes that there is a broad set of sustainability issues that are increasingly material and important (a non-exhaustive list of examples is set out below). We monitor the performance of our portfolio companies on material sustainability issues to ensure our portfolios are resilient to change.

Regular reviews are conducted including a review of sustainability performance risks specific to the portfolio company. Sustainability controversies/incidents that occur and have material implications for the valuation or business model are regularly identified and incorporated in engagement identification and prioritization.



#### ENVIRONMENTAL (E)

Issues relating to the quality and functioning of the natural environment and systems.

- Climate change
- Energy
- Water
- Waste and pollution
- Biodiversity



#### SOCIAL (S)

Issues relating to the rights, well-being and interests of people and communities.

- Diversity, equity and inclusion ("DEI")
- Health and safety
- Human rights
- Human capital management
- Supply chain management



#### GOVERNANCE (G)

Issues relating to the governance of companies and other investee entities.

- Board structure, diversity, and independence
- Business ethics
- Executive compensation
- Accounting/audit quality
- Risk management
- Cybersecurity

In public markets, we run a sustainability dashboard of our Public Equity portfolios using third-party sustainability data to monitor the performance of our holdings. In some of our private asset classes, including infrastructure, real estate, and private equity, we aim to periodically assess the performance of our internal assets and portfolio companies on material sustainability metrics as part of ongoing asset reviews.

For externally managed assets, our manager selection and monitoring process evaluates manager sustainability practices, active ownership policy, capacity and governance, and reporting capacity and engagement activities, in line with our [Sustainable Investing Policy](#) and our Sustainability Integration Guideline.

We identify and prioritize candidates for engagement through this monitoring process, which includes:

- **Disclosure:** We may engage with companies to seek comprehensive disclosures and management of material sustainability risks and opportunities.
- **Performance:** We may engage with companies to encourage better sustainability practices, business models and strategies to improve performance.
- **Events:** We may engage with companies exposed to significant sustainability-related incidents to gain greater understanding of the incident and call for risk mitigation measures to prevent future violations or misconduct.
- **Voting response:** We may engage with companies that have either not responded to, or provided insufficient response to, majority-supported shareholder proposals.

## Engaging with Companies on Material Issues

We expect companies to have governance structures overseeing material sustainability risks and opportunities that can have an impact on business strategy and long-term value creation. As such, we look for comprehensive disclosures that enable investors to assess the effectiveness of companies' risks and opportunities management on long-term value.

We may choose to engage either with management or the board depending on the issue. For direct private investments, we will exercise the relevant governance rights to engage directly with the board and management where those are available to us. Through respectful and encouraging dialogue with our portfolio companies, we seek to:

- Improve disclosure of sustainability practices
- Encourage companies to understand their sustainability risks and manage them effectively
- Minimize sustainability-related investment risks to IMCO and its clients
- Encourage the adoption of good corporate governance practices

When preparing an investment for exit, performance on ESG factors is taken into consideration and integrated into exit planning and strategy, where applicable. Exit strategies consider whether material risks have been appropriately mitigated, and whether opportunities to position the business strategically from a sustainability perspective have been optimized.

## Engaging with External Managers/General Partners (“GPs”)

Sustainability, including climate change, is one of the key considerations when we assess and monitor our external managers. IMCO's Sustainability Integration Guideline outlines a principled, consistent approach to incorporate sustainability in externally managed assets, in alignment with IMCO's [Sustainable Investing Policy](#) and strategic priorities (climate change, biodiversity, human capital, governance).

Our assessment criteria include policies & governance, resourcing, integration in the investment process, approach to active ownership and engagement, and monitoring & reporting. We assess whether a process is in place for incorporating sustainability risks and opportunities across the investment lifecycle.

We support managers on their sustainability journey and encourage best practice.



## Exercising Shareholder Rights

Proxy voting is an important component of stewardship, and we exercise our right to vote at shareholder meetings in order to encourage sound governance and sustainability practices. IMCO's [Proxy Voting Guideline](#) outlines the underlying corporate governance principles to which we subscribe and other relevant issues that can impact long-term value creation.

IMCO's [Proxy Voting Guideline](#) provides a general indication of how IMCO votes on proxy issues, and addresses our expectations on our strategic priorities, such as climate change, biodiversity, human capital, governance.

- For management-sponsored climate resolutions, we expect our portfolio companies to commit to net zero carbon emissions by 2050 or sooner, set science-based emission reduction targets and transition plans, and disclose climate information in line with the International Sustainability Standards Board S2 and the Canadian Sustainability Standards Board CSDS2 which incorporates the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations.
- We expect a minimum of 30% of the board to be represented by women, which aligns with the 30% Club's objective to achieve a minimum of 30% women on boards and at the executive level. We also believe that boards should consider all forms of diversity in the director recruitment process.
- We expect that boards have adequate governance, skills, and experience to oversee sustainability risks.

## Collaborating with Other Investors

Where we have limited access to management and/or limited governance rights, we convey our views in collaboration with other like-minded shareholders where possible. Collaborative engagement can increase our influence by amplifying our platform and voice. IMCO is a supporter of a number of sustainability initiatives and networks that enhance our ability to work collaboratively.

## Advancing Policy Through Advocacy

We will engage collaboratively with other institutional investors and through investor organizations when appropriate, including promoting sustainability standards and best practices as well as providing input to regulators.

## Engagement Escalation

Engagement escalation can vary depending on the level of responsiveness from companies and the materiality of areas of concern on long-term value.

Voting is an essential part of the escalation process to seek governance improvements. We review our voting records and voting principles, we may vote against board re-election and/or management resolutions, and we may consider co-filing of shareholder resolutions.

We seek updates on engagement efforts undertaken by our managers, what they are engaging on, how they assess risk, and what level of escalation they are undertaking.

We may also collaboratively engage with other investors to elevate areas of concern and increase influence with our public holdings.

When prior extensive engagement has not proved successful and there is a clear risk to shareholder value, divestment may be carefully considered by the investment teams as a measure of last resort.





## TRANSPARENCY, DISCLOSURE AND REPORTING

We report our stewardship activities to our clients on a quarterly basis and publish IMCO's [Annual Sustainability Report](#).

We publish our [Proxy Voting Guideline](#) and are transparent about our proxy voting activity. We disclose our proxy votes ahead of a publicly traded company's annual general meeting, including the rationale for when we vote against management proposals and shareholder proposals, as well as our proxy voting record, on our website.

## GOVERNANCE

### Review and Approval

The IMCO Document Owner of this Guideline for purposes of ensuring that it gets issued, reviewed, and updated on a regular basis will be the Chief Investment Officer (or such other individual that may be designated from time to time by the CEO) or their designate. The Drafter and Document Monitor of this guideline will be the Managing Director, Head of Investment Strategy, Sustainability and Asset Management, who will monitor compliance with this Guideline on an ongoing basis to determine whether the objectives of this governing document are being met.

The Document Owner is also responsible for ensuring the relevant IMCO senior executive team members (the "SET") have been given a reasonable opportunity to review and comment on this Guideline prior to it being approved by the Management Investment Committee ("MIC" or the "Approver").

This Guideline should be reviewed by the Document Owner and approved by the Approver at least once every three years.

### Non-material and Material Revisions

For greater certainty, any non-material revisions to this Guideline (either resulting from the Document Owner's reviews or otherwise) can be approved by the Document Owner at any time following a review of the changes by the Chief General Counsel or their designate and notice to the relevant SET. Such non-material revisions may include edits to:

- i. cure any ambiguity, clerical or typographical errors;
- ii. clarify, correct or supplement any provisions which might be defective; or
- iii. satisfy any legal or regulatory requirement applicable to IMCO.

Any material revisions to this Guideline must be approved by the Approver.

### Exceptions

Any request for a non-material exception to this Guideline must be approved by the Document Owner and the Chief General Counsel. Any request for a material exception to this Guideline must be approved by the Approver.