



# Stewardship Policy

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## 1. Introduction

Scientific evidence indicates that human impacts are resulting in us exceeding our planetary boundaries for six out of nine earth systems, increasing the risk of large, abrupt, or irreversible environmental changes.<sup>1</sup> One of the most urgent tipping points is climate change, reinforcing the need for global coordinated action for a transition to net zero. Added to this backdrop is the recent reversal of years of progress on the Sustainable Development Goals (SDGs) in areas such as food and nutrition, health, education, peace and security. This setback is attributable to the confluence of environmental degradation, the COVID-19 pandemic, a more divided world and geopolitical conflicts.<sup>2</sup> Amongst these pervasive challenges and complexities Addenda keeps sustainable development for future generations and long-term inclusive wealth at the forefront of stewarding our clients' investments.

These developments drive us to understand and take actions as investors to slow and ideally reverse the impacts on ecosystems and support the SDGs to ensure more stable and resilient economies. The interdependencies between earth systems and SDG goals compel us to engage in public policy, standards and regulatory developments, and at the company level to encourage actions that contribute to a net zero and a far more sustainable economy. Stewardship and active ownership are core components in Addenda's Sustainable Investing approach as outlined in our Sustainable Investment Policy<sup>3</sup>. Under this approach, the investment objectives of our clients are aligned with positive sustainability outcomes.

This *Stewardship Policy* highlights the principles that underscore Addenda Capital's ("our") commitment to undertaking stewardship for our clients and provides a framework for implementing that commitment. Addenda Capital ("we") will work with clients, employees, our shareholders, and other stakeholders to protect and enhance the long-term value of investments for our clients through the implementation of this policy. This policy is governed by Addenda's overall [Sustainable Investing Policy](#).

## 2. Scope and Definitions

Stewardship is a core component of our effort to enhance long-term investment performance and positive sustainability outcomes for our clients. We define it to include public policy engagement, corporate engagement with investee companies and exercising proxy voting rights.<sup>4</sup> These efforts are integrated to promote the sustainability of the economy, society and investment performance. Our stewardship efforts are undertaken directly with companies, policy-makers and standard setters, and in collaboration with

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<sup>1</sup> <https://www.stockholmresilience.org/research/planetary-boundaries.html> Earth systems are the nine processes that regulate the stability and resilience of the earth functions that provide the environment for life. These systems interact with each other, hence the need to understand the nexus between these processes.

<sup>2</sup> <https://unstats.un.org/sdgs/report/2022/>

<sup>3</sup> [Link to Addenda Sustainable Investment Policy 2023](#)

<sup>4</sup> [Canadian Coalition for Good Governance, Stewardship Principles 2020](#)

investor initiatives and other stakeholders with a goal of ensuring that our perspective is heard, and we can influence and drive positive change.

Company engagement includes assessment and purposeful dialogue with companies on important matters that could affect their value, including but not limited to environmental, social and governance practices, outcomes and performance.<sup>5</sup> We look for progress over time on these issues. Proxy voting is a tool for influencing management by voting on management or shareholder proposals to express approval or disapproval on important issues<sup>6</sup>. It can be used to address issues when engagement and dialogue are having limited success.

This policy applies to the comprehensive array of investment strategies that we offer across a broad range of asset classes: public equities, fixed income, and commercial mortgages. Appropriate stewardship activities differ by investment mandate.

Stewardship activities are undertaken by both the sustainable investment team and investment teams collaboratively and/or independently depending on circumstances. The Sustainable Investing Committee (SIC), chaired by Addenda's President and CEO, and with leadership from Investment, Business Development, Client Partnership and Operation teams oversees the Stewardship, Proxy Voting, and Controversial Weapons policies. Other important internal guidelines related to sustainable investment and sustainability-themed strategies also fall under its oversight.

### 3. Principles

Our approach to stewardship is guided by the following principles:

- 3.1 Clear and forward-looking sustainability policies, practices and performance have a positive influence on short and/or long-term corporate operating and financial performance and investment performance.
- 3.2 Assessing sustainability practices, performance and outcomes in the real economy and encouraging good ESG practices helps us protect and enhance the value of investments for our clients. Sound company ESG practices include transitioning businesses to align greenhouse gas emissions with net zero by 2050 or earlier; understanding, reducing and reversing the impacts on biodiversity and natural capital; respecting Indigenous rights and perspectives and monitoring and engaging on any potential violations of global human rights and norms, including labour practices.

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<sup>5</sup>[NZAOA Elevating Climate Diligence on Proxy Voting Approaches](#): Examples of studies of stewardship and engagement connections to corporate and investment value include: [Hoepner A. et al, ESG Shareholder Engagement and Downside Risk, River of Finance, Swiss Finance Institute](#) and [Whelan et al, ESG and Financial Performance, NYU, 2015-2020](#)

<sup>6</sup> Principles for Responsible Investment, [Introductory Guides to Responsible Investment 2021](#)

- 3.3 We assess the ESG practices of the entities in which we invest and new companies prior to investment and we update our perspectives in cases where ESG practices materially change. Part of the assessment includes, for example, cases where there are risks of extreme and potentially widespread violations of human rights and global norms.
- 3.4 We engage with investee companies to promote their long-term performance and sustainability performance with the aim of protecting or enhancing value on behalf of our clients and broader society.
- 3.5 We exercise all voting rights and make informed and independent voting decisions that are in the long-term interests of our clients. This may include strategically aligning our voting decisions with our sustainability and engagement goals.
- 3.6 Our approach to stewardship must be continuously improved and we have a duty to proactively contribute to the development and promotion of stewardship practices globally.
- 3.7 Cooperation with other investors and stakeholders can help us improve our approach to stewardship and can increase the effectiveness of our activities.
- 3.8 We will publicly disclose our stewardship policies and activities and report details to clients to enhance our accountability.

## 4. Conflicts of Interest

Conflicts of interest will inevitably arise from time to time during stewardship activities. We have a *Conflict of Interest Policy* and a *Code of Ethics and Professional Conduct* that all employees must adhere to. These policies and related procedures are intended to identify any existing or potential material conflicts of interest and help manage them by avoiding, controlling or disclosing them with the aim of taking reasonable steps to put our clients' interests first.

## 5. Framework of Policy

Our approach to stewardship is consistent with the framework provided by the United Nations – sponsored Principles for Responsible Investment (PRI), the International Corporate Governance Network's *Global Stewardship Principles*, the Canadian Coalition for Good Governance's *Stewardship Principles* and the Net Zero Asset Owner's Alliance *Elevating Asset Manager Net Zero Engagement Strategies* guidance. It prioritizes both company and systems-level stewardship activities. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

## **5.1 Systems-Level Stewardship – Engagement with Policy-Makers, Regulators and Standard Setters**

We will engage with policy-makers, regulators and standard setters via correspondence, through meetings or other means to promote the consideration of investor views and to promote improvements to policies that advance climate transition, sustainable development, protect shareholder rights, enable investor stewardship activities, and support the protection and enhancement of the long-term value of investments for our clients.

We recognize that systemic changes will only move forward with proactive engagement with policy-makers, regulators, standard setters and with other public sector leadership. We will undertake engagement with these groups alongside other investors and stakeholders as appropriate and on issues where we feel we can add value and have influence, and where we deem it important for achieving a more sustainable economy and financial markets.

## **5.2 Assessing Companies**

We will regularly assess companies held in investment portfolios and endeavour to identify, at an early stage, issues that may affect the long-term performance and sustainable success of a company.

Assessment activities will include, but are not limited to, reviewing public disclosures, conducting research and analysis, obtaining third-party research and analysis, and attending or reviewing outputs from shareholder meetings and calls.

Issues to be assessed include, but are not limited to, a company's strategy, performance, governance, executive compensation, disclosure, and approach to social and environmental matters. Issues on which we focus include human rights, Indigenous reconciliation, biodiversity and natural capital, climate transition and adaptation.

## **5.3 Prioritizing Companies to Engage**

We will undertake engagement with companies to support the protection and enhancement of the long-term value of investments for our clients.

We will select companies for engagement and may escalate the intensity of engagement based on a variety of considerations including, but not limited to, the relevance of the ESG issue to the company and the industry in which they operate, the relevance of the ESG issues to our clients, and our access and ability to influence the company.

We prioritize engaging on best practices related to green and sustainable bond issuance, impact reporting and climate transition. We are committed to also increase our awareness and application of best practices related to climate resiliency, biodiversity and natural capital and consideration of Indigenous rights and reconciliation. In choosing which issues or companies/issuers to engage Addenda weighs the following:

- Practices of concern that contribute to destabilizing one or many of the planetary boundaries or are misaligned with the United Nations Sustainable Development Goals (SDGs).
- Issues such as potential violations of the United Nations Global Compact on Human Rights or the United Nations Declaration on the Rights of Indigenous People (UNDRIP) or environmental accidents or concerns may also catalyze us to engage.
- The financial materiality of the above elements will be weighed and considered. However, engagement will be prioritized, irrespective of financial materiality in the cases of potentially serious harm to people or the environment.
- Ability to influence change, recognizing that collaborative engagement informed by a range of stakeholders can at times be more effective for driving long-term results than individual engagements.

#### 5.4 How We Engage and Escalate

Engagement may be undertaken via correspondence or through meetings and may include the following activities:

- 5.4.1 Interaction with company management to gain a better understanding of sustainability issues;
- 5.4.2 Making realistic requests of company management that should promote the short- and long-term performance and sustainable success of the company;
- 5.4.3 Making realistic requests of non-executive directors that should promote the short- and long-term performance and sustainable success of the company;
- 5.4.4 Contacting other shareholders of the company regarding sustainability issues;
- 5.4.5 Pre-declaring our vote on shareholder resolutions;
- 5.4.6 Signing a public letter/statement on a sustainability issue to encourage company or industry best practices;
- 5.4.7 Speaking at a company's general meeting;
- 5.4.8 Submitting a shareholder resolution to the company;
- 5.4.9 Submitting one or more nominees for election to the company's board;
- 5.4.10 Seeking governance improvements at the company through legal remedies; and
- 5.4.11 Exiting the investment in the company as a last resort.

We will undertake engagement alongside other investors and stakeholders as appropriate.

## 5.5 Voting at Company Meetings

We will exercise all voting rights and make informed and independent voting decisions that support the protection and enhancement of the long-term value of investments for our clients. We will vote in a manner consistent with our *Proxy Voting Policy* and we strive to align our voting decisions with our engagement outcomes.

## 5.6 Monitoring and Oversight of Service Providers

Where a service provider is contracted to support a stewardship activity, we will monitor the activities that the provider conducts on our behalf on a regular basis to verify consistency with our approach to stewardship.

## 6. Disclosure

We will report on our stewardship processes and activities and the outcomes of these activities to our clients at least annually. We will provide public disclosure on our voting and engagement activities and applicable [policies](#).

## 7. Oversight

Addenda's Sustainable Investing Committee will review our stewardship policy, processes, and activities regularly. Shared and proactive communication between the investment teams and the Sustainable Investing team ensures a strong and integrated approach across the firm.