

# Activity Report

## 2022-2023

Shareholder Engagement  
Activities Analysis and Impact





Æquo carries out its work on behalf of institutional investors and asset managers participating in its shareholder engagement platform:

**AlphaFixe**  
Capital

  
**BATIRENTE**



CSN employees' retirement plan

 **Desjardins**  
Global Asset Management

 **FÉRIQUE**  
GESTION DE FONDS

 **Fondaction**  
Giving money meaning.

**GLOBAL**   
**ALPHA**

 **Hydro Québec**  
Hydro-Québec employees' retirement plan

**MORDIS**  
CAPITAL

**RRSE**  
Regroupement pour  
la Responsabilité  
Sociale des Entreprises

# Our mission

Æquo harnesses the collective power of investments from 360 organizations and retirement funds, serving close to 90,000 individuals. Cumulative assets under management for Æquo's clients total \$130 billion.

Our purpose is to amplify the impact of our institutional investor clients and management companies, by guiding them in the implementation of responsible investment strategies.

Æquo's primary activity is leading shareholder engagement with listed companies on behalf of its clients in order to improve their environmental, social and governance (ESG) practices. By uniting clients' actions in engagement pools, Æquo amplifies their impact on the companies they hold in their portfolio.

Æquo aims for a more sustainable economic system in which companies, encouraged by institutional investors, manage ESG risks and opportunities to create long-term value that benefits their shareholders and society as a whole.



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# Message from the Chairwoman and the CEO

Dear partners,

In writing this introductory note, our wish is to take a step back and focus on the progress made. Admittedly, we still have a long road ahead of us and the pace needs to pick up. Yet the sustainability movement continues to gather strength, with the past year bringing significant and encouraging progress. Beyond the increasing attention given to responsible investment, we would highlight the regulatory evolution in ESG disclosure standards, particularly in Europe and the U.S., along with the unprecedented mobilization during COP 15 on biodiversity, which took place in Montréal this winter.

That said, we have plenty of challenges remaining on our plate. For example: the war in Ukraine and its repercussions for energy and food prices; stock market turbulence; and increasingly alarming demonstrations of the effects of climate change. Or even in the area of human rights violations—whether from the standpoint of the most vulnerable workers, as in the case of migrant workers, or through the lens of women and other minorities in specific countries, such as Iran.

These issues concretely affect the day-to-day lives of millions of individuals and are not theoretical, debatable models. The underlying work aimed at developing a more prosperous, sustainable and inclusive economy must continue to make its mark. In a context where the consideration of ESG factors is sometimes equated with greenwashing or as a vehicle for political interests, we need to keep working more than ever on disseminating best practices in responsible investment and shareholder engagement, which have a measurable, concrete impact on companies' ESG performance as well as in the real world, for the benefit of all stakeholders.

## **New momentum for Æquo**

Emboldened by the path taken together, we saw the start of a new momentum this past year. First, with the arrival of Isabelle Gagnon as our new CEO, coinciding with Fondation joining Æquo's share capital. Æquo's team also grew and consolidated with the addition of Marine Martal (shareholder engagement advisor) and Julien Bezombes (responsible investment and shareholder engagement analyst).

Our services were expanded, too, in the form of two new engagement pools—one of them international, the other composed of small-cap companies. Furthermore, Æquo developed a new partnership to jointly create an impact assessment and shareholder engagement product with an asset management company. These efforts are paying off, and it is exciting to see that new clients choose to trust Æquo.

In closing, we wish to acknowledge the valuable contribution of Daniel Simard, a pioneer of responsible investment in Québec, a director of Æquo ever since its earliest days, and interim CEO until Isabelle arrived. We extend our warmest thanks to him for his outstanding efforts and support, which he continues to provide in his current role as ambassador and special advisor. Our heartfelt thanks as well to two directors who have stepped down from the board, namely Sister Jocelyne Morin and Caroline Bergeron. Lastly, we would like to welcome François Bourdon and Johanne Gélinas. Their experience and expertise will surely prove to be a valuable new asset for Æquo as it continues its momentum.

**Josée Cavalancia**

*Chairwoman of the Board*

**Isabelle Gagnon**

*CEO*

# Process, methods and results

## SHAREHOLDER DIALOGUE: FOR SOUND INVESTMENT STEWARDSHIP

At Æquo, our engagement approach is aimed at improving companies' ESG practices and performance, through constructive and informed discussions. In order to amplify its impact, this engagement is conducted on behalf of our investment clients—investors who combine their strength in our various engagement pools. Our objectives are presented to companies as questions or recommendations, which enable us to monitor the progress of their ESG performance.

Along with the dialogues we lead on behalf of our clients in connection with various engagement pools, we also participate actively in a range of investor collaborations pertaining to companies and specific ESG issues. Depending on the case, these initiatives lead to conversations between a group of investors and targeted companies, or they result in joint investor statements or participation in consultations related to public or private regulations.

## SELECTION OF COMPANIES

The companies in our engagement pools are chosen according to three main criteria:

- ⇒ Our analysis of the ESG performance of companies held in our clients' portfolios, particularly compared with their peers, and in view of serious controversies;
- ⇒ A balanced representation of our clients' portfolios in our engagement plans;
- ⇒ A company targeted by our previous year's action plan when the engagement goals have not yet been met.

In 2023, as in previous years, our engagement program is aimed at large-cap Canadian and American companies, but also—for the very first time—large-cap and small-cap international companies.

## DIALOGUE PROGRESS TRACKING

Our dialogues are geared to the long-term, generally continuing over several quarters. In fact, a change in companies' ESG practices does not happen overnight. Moreover, it is important to create a climate of trust between Æquo and our contacts.















For each dialogue, we evaluate the ESG practices, risks and opportunities. We then define objectives aimed at improving the ESG performance and impact of these companies. To track the progress of our dialogues, we have developed a scale for measuring the achievement of these objectives.

## OBJECTIVE ACHIEVEMENT SCALE

<b>0</b>	Objective (for managing a risk) has been <b>defined</b> but not yet communicated to the company
<b>1</b>	Objective has been <b>communicated</b> to the company
<b>2</b>	Company has <b>recognized</b> the benefit of reaching the objective
<b>3</b>	Company has adopted a <b>strategy</b> for reaching the objective
<b>4</b>	Company has <b>reached</b> the objective

## 2022 INDUSTRIES, ISSUES AND RESULTS

### Main issues discussed in 2022 and their alignment with the United Nations Sustainable Development Goals (SDG)<sup>1</sup>

Energy transition		51%
Diversity and inclusion		30%
Energy and emissions management		30%
Employee management and well-being		28%
Executive compensation		19%
Human rights		21%
Product and services responsibility		12%
Ecological impact		11%
ESG integration and disclosure		11%
Data privacy/Cybersecurity		7%
Ethics, fraud and corruption		5%
Access to health care		5%
Fiscal responsibility		5%
Waste management		4%
Community relations		4%

<sup>1</sup> % of companies in engagement plans with which the subject was discussed.



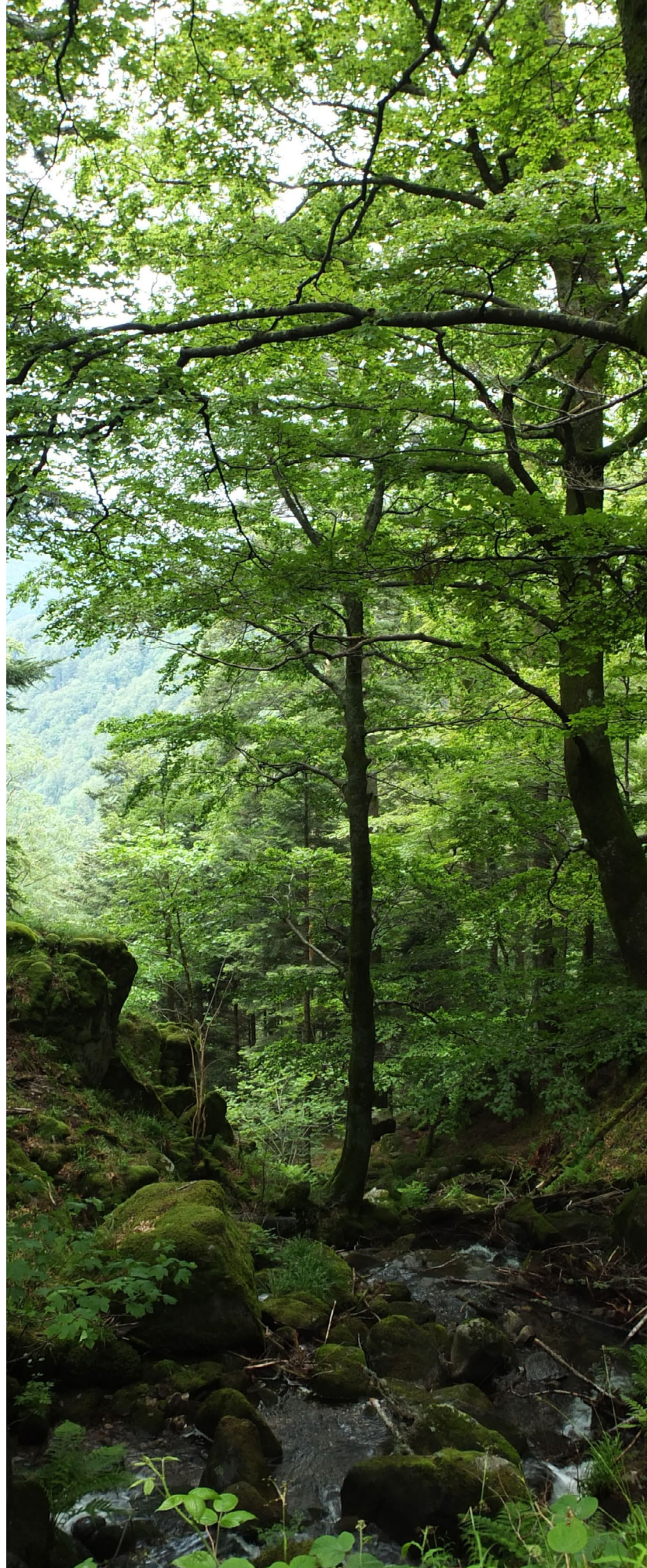
We discussed 15 ESG topics, including human-related issues, i.e., human rights; employee management and well-being; and diversity, equity and inclusion (DE&I) with 45% of the companies, and climate issues with 77% of them.

We also discussed other important issues, such as product accessibility and responsibility; executive compensation; cybersecurity and data privacy; fraud and corruption; and fiscal responsibility.

In 2022, we made progress with 86% of the companies with which we held dialogues and achieved at least one goal for 57% of the companies.

The quality of the relationships we nurture with companies is at the heart of our mission's success. We normally only encourage filing a shareholder proposal on behalf of our clients as a last resort and when we deem that, despite multiple attempts, the practices related to a key issue are not progressing quickly enough. In such cases, we invite our clients who are members of the engagement pool, holding shares in the targeted company, to file a shareholder proposal. Since our last activity report, we guided various clients in filing a number of shareholder proposals, one of which (Imperial Oil) was put to the shareholders for a vote. For more on the context, demands and results of our discussions in connection with the abovementioned proposals, see the "Climate Risks" section further down in this report..

Visit our website at [www.aequo.ca](http://www.aequo.ca) under the "News" section, for more information on our activities and their results.



# Nos dialogues en 2022-2023

## 2022-2023 CANADIAN ENGAGEMENT POOL AND MAIN ISSUES BY INDUSTRY

INDUSTRY	COMPANY	E	S	G
Insurance	<b>Fairfax financial holdings</b> <i>(not renewed in 2023)</i>	<ul style="list-style-type: none"> <li>› Climate resilience</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Cybersecurity and data privacy</li> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Commercial banks	<b>CIBC Bank</b> <b>Bank of Montreal</b> <b>National Bank</b> <b>Royal Bank</b> <b>Scotiabank</b> <b>TD Bank</b>	<ul style="list-style-type: none"> <li>› Climate resilience</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> <li>› Responsible tax practices</li> </ul>
Food retailers	<b>Alimentation Couche-Tard</b> <b>Empire Company</b> <b>Loblaw</b> <b>Metro</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Specialized retailers	<b>Dollarama</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Software and IT services	<b>CGI</b> <b>Constellation Software</b> <i>(not renewed in 2023)</i> <b>Descartes</b>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Cybersecurity and data privacy</li> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> <li>› Fraud and corruption</li> </ul>

INDUSTRY	COMPANY	E	S	G
Mining	<b>Barrick Gold</b> <b>Teck Resources</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Waste management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Local communities</li> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> <li>› Responsible tax practices</li> </ul>
Oil and gas	<b>Canadian Natural Resources</b> <b>Cenovus Energy</b> <b>Enbridge</b> <b>Imperial</b> <b>Parkland Fuel</b> (not renewed in 2023) <b>Pembina Pipeline</b> (not renewed in 2023) <b>Suncor</b> <b>TC Énergie</b> <b>Tourmaline Oil</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Local communities</li> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Automotive	<b>Magna</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Chemical products	<b>Nutrien</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Engineering and construction services	<b>WSP</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> <li>› Fraud and corruption</li> </ul>
Telecommunications services	<b>Telus</b>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Cybersecurity and data privacy</li> <li>› Diversity and inclusion</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Power utilities	<b>Capital Power</b> <b>Fortis</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Rail transport	<b>Canadian Pacific Railway</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Relations avec les communautés</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>

## 2022-2023 AMERICAN ENGAGEMENT POOL AND MAIN ISSUES BY INDUSTRY

INDUSTRY	COMPANY	E	S	G
Processed foods	<b>Mondelez</b> <b>Tyson Foods</b> <i>(not renewed in 2023)</i>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Human rights</li> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Commercial banks	<b>Bank of America</b> <b>Citigroup</b> <i>(not renewed in 2023)</i> <b>Citizens Financial Group*</b> <b>First Republic Bank</b> <i>(not renewed in 2023)</i> <b>U.S Bancorp</b> <i>(not renewed in 2023)</i>	<ul style="list-style-type: none"> <li>› Climate resilience</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> <li>› Responsible tax practices</li> </ul>
Biotechnology and pharmaceutical	<b>Abbvie</b> <b>Johnson &amp; Johnson</b> <b>Pfizer</b> <i>(not renewed in 2023)</i>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Accessibility of products</li> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
E-commerce	<b>Amazon</b>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Cybersecurity and data privacy</li> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Pharmaceutical retailers	<b>CVS Health*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Accessibility of products</li> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Specialized retailers	<b>Dollar General</b> <b>Dollar Tree</b> <b>Target</b> <b>TJX Companies</b> <b>Walmart</b> <i>(not renewed in 2023)</i>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Packaging	<b>Avery Dennison Corp.*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Waste management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>

INDUSTRY	COMPANY	E	S	G
Software and IT services	<b>Alphabet*</b> <b>Microsoft</b> <b>Oracle*</b>	› Energy management	› Cybersecurity and data privacy › Diversity and inclusion › Human rights › Employee management and well-being	› Environmental and social governance
Interactive Media and Services	<b>Meta (Facebook)*</b>	› Energy management	› Cybersecurity and data privacy › Diversity and inclusion › Human rights › Employee management and well-being › Product and services responsibility	› Responsible tax practices › Environmental and social governance
Mining	<b>Newmont Mining</b> <i>(not renewed in 2023)</i>	› Energy management › Waste management › Ecological impact	› Local communities › Human rights › Diversity and inclusion › Employee management and well-being	› Responsible tax practices
Oil and gas	<b>EOG Resources*</b> <b>Exxon Mobil</b> <i>(not renewed in 2023)</i> <b>Valero Energy</b> <i>(not renewed in 2023)</i>	› Energy management › Ecological impact › Energy transition	› Local communities › Diversity and inclusion	› Environmental and social governance
Automotive	<b>AutoZone*</b>	› Energy management › Ecological impact › Energy transition	› Diversity and inclusion › Human rights › Employee management and well-being	› Environmental and social governance
Chemical products	<b>Sherwin-Williams*</b>	› Energy management › Ecological impact	› Diversity and inclusion	› Environmental and social governance
Healthcare	<b>Universal Health Services</b>	› Energy management	› Accessibility of products › Diversity and inclusion › Employee management and well-being › Product and services responsibility	› Environmental and social governance
Household and personal products	<b>Estée Lauder</b> <b>Procter &amp; Gamble*</b>	› Energy management › Ecological impact	› Diversity and inclusion › Human rights › Product and services responsibility	› Environmental and social governance

INDUSTRY	COMPANY	E	S	G
Restaurants	<b>McDonald's</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Engineering and construction services	<b>D.R Horton</b> <i>(not renewed in 2023)</i>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Telecommunications services	<b>AT&amp;T</b>  <b>Verizon</b>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Cybersecurity and data privacy</li> <li>› Diversity and inclusion</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Professional and commercial services	<b>Costar Group</b>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Cybersecurity and data privacy</li> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Power utilities	<b>Public Service Enterprise</b> <i>(not renewed in 2023)</i>  <b>Edison International</b> <i>(not renewed in 2023)</i>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Apparel	<b>Nike*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>

\* New companies in the 2023 engagement pool

## 2022-2023 INTERNATIONAL ENGAGEMENT POOL AND MAIN ISSUES BY INDUSTRY

INDUSTRY	COMPANY	E	S	G
Commercial banks	<b>HSBC*</b>	<ul style="list-style-type: none"> <li>› Climate resilience</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> <li>› Responsible tax practices</li> </ul>
Food retailers	<b>Ahold Delhaize*</b> <b>Carrefour*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Waste management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Hotel	<b>Intercontinental Hotels*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Oil and gas	<b>Enagas*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Local communities</li> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Food products	<b>Nestlé*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Electronic products	<b>Sony*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>

\* New companies in the 2023 engagement pool.

## 2022-2023 SMALL CAP ENGAGEMENT POOL AND MAIN ISSUES BY INDUSTRY

INDUSTRY	COMPANY	E	S	G
Aerospace	<b>Lisi*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Waste management</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Mining	<b>Osisko Mining*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Waste management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Local communities</li> <li>› Human rights</li> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> </ul>	<ul style="list-style-type: none"> <li>› Responsible tax practices</li> </ul>
Oil and gas	<b>Advantage Energy*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> <li>› Energy transition</li> </ul>	<ul style="list-style-type: none"> <li>› Local communities</li> <li>› Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Food products	<b>Industries Lassonde*</b> <b>Limoneira *</b> <b>Roger Sugar*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>
Restaurants	<b>MTY Food Group*</b>	<ul style="list-style-type: none"> <li>› Energy management</li> <li>› Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>› Diversity and inclusion</li> <li>› Human rights</li> <li>› Employee management and well-being</li> <li>› Product and services responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental and social governance</li> </ul>

\* New companies in the 2023 engagement pool



## INVESTOR COLLABORATION INITIATIVES

INITIATIVE	TYPE	DESCRIPTION	INVOLVEMENT
<a href="#">Responsible Investment Association (RIA)</a>	Organization	The <i>Responsible Investment Association</i> (RIA) is an association representing the industry in which Aequo and its clients operate.	<ul style="list-style-type: none"> <li>› Member since January 2019</li> </ul>
<a href="#">ICCR</a>	Organization	The <i>Interfaith Center on Corporate Responsibility</i> brings together religious communities with the objective of building a more just and sustainable world, by integrating social values in companies and investors' actions.	<ul style="list-style-type: none"> <li>› Member of various committees and participation in meetings</li> </ul>
<a href="#">PRI</a>	Organization	The PRI initiative helps signatories incorporate ESG issues into their decisions regarding investment and share ownership.	<ul style="list-style-type: none"> <li>› Signatory since Aequo's founding in 2015</li> <li>› Participation in various collaboration initiatives</li> </ul>
<a href="#">Climate Action 100+</a>	Collaborative engagement	Initiative bringing together 700 investors from across the planet (collectively managing \$68 trillion in assets) to join in on an engagement plan aimed at the world's 166 biggest corporate (public company) GHG emitters.	<ul style="list-style-type: none"> <li>› Active participation in the North American group</li> <li>› Aequo is leading dialogues for three of the five Canadian companies targeted by the initiative (Enbridge, TC Energy and Imperial)</li> </ul>
<a href="#">Climate Engagement Canada (CEC)</a>	Collaborative engagement	CEC is a finance-led initiative that drives dialogue between the financial community and Canadian companies to promote a just transition to a net zero economy.	<ul style="list-style-type: none"> <li>› Aequo is leading and taking part in some of these dialogues.</li> <li>› Participation on behalf of Bâtirente as a member of the Technical Committee</li> </ul>
<a href="#">Investor collaboration on issues related to facial recognition technology</a>	Collaborative engagement	Coordinated by Candriam, this initiative addresses the rapidly expanding use of facial recognition technology and its impact on privacy, data protection and civil liberties. It is calling on companies that develop or use this kind of technology to increase their disclosure, demonstrate their awareness of its impact on human rights, and adopt ethical practices.	<ul style="list-style-type: none"> <li>› Participation in group meetings</li> <li>› Participation in two dialogues (Microsoft and Amazon)</li> </ul>
<a href="#">Collaboration of the Access to Medicine Foundation</a>	Collaborative engagement	This initiative focuses on the world's biggest pharmaceutical companies, with the aim of identifying best practices, monitoring their progress, and showing where critical action is needed in order to improve access to medicine for the poorest communities.	<ul style="list-style-type: none"> <li>› Participation in meetings and some of the dialogues</li> </ul>
<a href="#">Business Benchmark on Farm Animal Welfare (BBFAW)</a>	Collaborative engagement	The BBFAW initiative was created to improve companies' farm animal welfare management practices.	<ul style="list-style-type: none"> <li>› Initiative signatory</li> </ul>
<a href="#">Farm Animal Investment Risk and Return (FAIRR)</a>	Collaborative engagement	FAIRR is a network of investors helping to build a more sustainable food system by bringing awareness about the material opportunities and risks that abound in global protein supply chains.	<ul style="list-style-type: none"> <li>› Member since 2023</li> </ul>
<a href="#">Working group on risks associated with carbon assets</a>	Working group	Led by the Ceres organization, the Carbon Asset Risk Working Group (CAR) brings together investors and focuses on dialogue with energy companies about issues related to climate risks.	<ul style="list-style-type: none"> <li>› Participation in meetings</li> <li>› Exchange of information related to companies in the engagement pools targeted by the initiative</li> </ul>
<a href="#">PRI Plastics Investor Working Group</a>	Working group	This PRI working committee raises investors' awareness and understanding of the impacts, risks, and opportunities related to plastic. In 2023, the committee was renamed the Circular Economy Reference Group (PRI).	<ul style="list-style-type: none"> <li>› Active participation as a member of the working group</li> </ul>

# ESG issues in the spotlight

## CLIMATE RISKS



While we talk about climate issues as a priority with companies in the energy and banking sectors, we address this topic in all activity sectors, to the extent that they have a central role to play in reducing their direct and indirect GHG emissions and their dependence on fossil fuels.

The IPCC's Sixth Assessment Report once again highlights the urgency of this situation, and its conclusion is unequivocal: immediate actions are needed to limit the already irreversible damage brought on by human-induced climate change. Companies have been slow in adopting practices to meet the challenge that lies before us. The 2022 TCFD Report emphasizes that merely 4% of companies disclosed in line with the initiative's 11 recommended disclosure, with only 40% disclosing in line with at least five.

The majority of companies in the energy sector have committed to achieving net-zero emissions by 2050, but that is still not enough. We are seeking concrete information from them about how they plan to achieve that target through the development of a comprehensive and robust transition plan aligned with a 1.5°C scenario, which includes:

- ⇒ Absolute reduction targets including indirect emissions;
- ⇒ Intermediate targets aligned with best practices;
- ⇒ Information on capex' alignment with such a scenario.

We submitted a [shareholder proposal](#) to **Imperial Oil** on behalf of two of our clients asking the company to adopt absolute reduction targets.

As for the banks, the majority of which have also committed to achieving net-zero financed emissions by 2050, we also need information about their strategy for reaching this target, namely:

- ⇒ Absolute emission reduction targets by sector;
- ⇒ Interim targets by financed sector, aligned with best practices;
- ⇒ Indicators used in evaluating their clients' transition plans;
- ⇒ The way they use their transition plan assessment to develop and implement their own transition.

Note that in connection with the negotiations we had with the **CIBC** bank, which led to the withdrawal of our shareholder proposal, the bank promised to disclose information regarding indicators used for evaluating their clients' transition plans. They also agreed to disclose the way in which these assessments will determine the next steps they plan to take with their clients.

## BANKS AND ENERGY TRANSITION

Financial institutions play a key role in accelerating the energy transition. However, Canadian banks are still important partners of the oil and gas industry, as illustrated annually in the [Banking on Climate Chaos](#) report. The Royal Bank of Canada (RBC) ranks #1 as the worst financier of fossil fuels. RBC provided \$42.1 billion in funding to fossil fuel companies in 2022.

We encourage the banks to reduce their financed emissions. The first step in this direction was convincing the banks to measure this emissions type, which was undertaken in 2020 and 2021 when they joined the [Partnership for Carbon Accounting Financials](#) (PCAF) international initiative. They then joined the [Net Zero Banking Alliance](#), in connection with which they made a commitment to achieve net-zero financed emissions by 2050 and to adopt interim sector targets by 2030.

These targets may include carbon intensity reductions (amount of GHG emitted per unit of energy produced), which could, however, lead to an increase in absolute emissions (total GHG emissions attributable to the company). We therefore encourage the adoption of absolute reduction targets. In that regard, BMO and Citigroup were the only banks among those with whom we conducted dialogues that actually made such a commitment. Furthermore, we maintain that any transition plan assessment from the banks has to include indirect emissions. In fact, any credible transition plan must include not only a reduction in direct emissions, but also ultimately needs to target a change toward a “low-carbon” business model—a major challenge for the fossil fuel sector, whose core product itself is the main source of GHG emissions.

We will continue working with the banks on this issue in 2023 to try to get them to take an active role in the energy transition.



## METHANE EMISSIONS

Methane emissions reduction has an increasingly central role in our discussions with companies when it comes to climate risks. According to the IPCC, methane released directly into the atmosphere is more than 80 times as potent as carbon dioxide and responsible for 25% of global GHG emissions. What's more, the lifespan of methane in the atmosphere is much shorter than that of carbon dioxide, meaning that a reduction in methane emissions has a significant short-term impact. In Canada, approximately 13% of GHG emissions are from methane, and the oil and gas sector contributes about 40% thereof. These emissions can be voluntary (flaring or venting) or involuntary (fugitive emissions and leaks). Given that the quantification of methane emissions from industry is often underesti-

ated, the UN Environment Programme launched the [Oil and Gas Methane Partnership](#) (OGMP) initiative to encourage companies to directly measure their emissions.

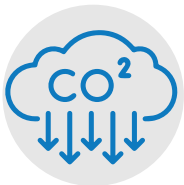
**We convinced Enbridge and TC Energy to produce a report on their methane emissions management and the feasibility of their joining the OGMP.** Few North American companies have joined the OGMP; we are hoping that this will change over the coming months.



## EXAMPLES OF CLIMATE GOALS ACHIEVED



**All Canadian banks** we dialogue with along with **Citigroup** and **Bank of America** disclosed their financed emissions related to the oil and gas industry and adopted targets for reducing them.



**BMO** and **Citigroup** adopted absolute GHG emissions reduction targets for the oil and gas sector. **ExxonMobil, Fortis, Loblaw** and **Telus** adopted a carbon neutrality target for 2050.



**Dollar Tree, Valero** and **Verizon** disclosed their indirect (Scope 3) emissions.

## BIODIVERSITY

Human activities threaten the survival of many animal and plant species. The World Wildlife Fund's (WWF) [Living Planet Report 2022](#), which discusses the trends in global biodiversity and the planet's health, revealed an average decline of 69% in wildlife since 1970. According to the [Global Risks Report](#) published by the World Economic Forum in January 2023, more than 50% of the world's GDP is influenced by or depends on biodiversity. The report identified the loss of biodiversity as one of five main risks for the global economy in the long run. In fact, companies are facing substantial biodiversity-related risks, whether from a physical, legal or transitional standpoint. They need to assess how these risks affect their activities, then measure their impacts and take steps to limit them.

We are currently seeing emerge specific disclosure standards for companies. The [Taskforce on Nature-related Financial Disclosures](#) (TNFD) aims to provide a framework for managing and disclosing risks that would enable organizations to declare their nature-related risks and take action as these evolve. GRI is also busy [revising its biodiversity disclosure standard](#). We have submitted comments to help improve its robustness.

As for investors, the COP15 conference that took place in Montréal marked the first time that financial stakeholders had been invited to take part in a Conference of the Parties on biodiversity. [Nature Action 100](#), an initiative inspired by Climate action 100+, was announced as part of this COP. The purpose of this initiative is to bring together investors to hold dialogues with companies in key sectors identified as being of systemic importance for reversing nature and biodiversity losses by 2030. In addition, the Caisse de dépôt et placement du Québec (CDPQ), Fondation, Société pour la nature et les parcs (SNAP Québec, a nature conservation organization), the Quebec Centre for Biodiversity Science (QCBS) and University of Sherbrooke launched a [research project](#) for the purpose of producing specific biodiversity indicators on Québec territory, for Québec investors. These will be used for improving the way we measure the impact of investments on biodiversity.

As previously done in 2022, we will continue working with companies in 2023 to ensure they properly assess the effects of biodiversity-related risks on their activities, measure their impact and take appropriate steps to prevent or mitigate these risks.





## MIGRANT WORKER RIGHTS



While migrant workers make up a significant part of global supply chains ([1 out of every 20 workers is a migrant worker](#)), these especially vulnerable workers are often subjected to human rights-related or labour violations. These violations may take [the form](#) of unfair recruitment practices; human trafficking; forced labour; inequity with regard to labour law, compensation, social security and access to legal proceedings and remediation; and even racism or discrimination.

In Canada, where these play an essential role in our economy—most notably in the agri-food industry—a series of reports and articles have shone a light on the many abuses connected to housing insecurity, abusive payroll deductions and number of hours worked. Some of the recent reports in this area include “[It Happens Here: Labour Exploitation Among Migrant Workers During the Pandemic](#)” from the FCJ Refugee Centre and the Canadian Centre to End Human Trafficking; “[The status of migrant agricultural workers in Canada, 2022](#)” from the United Food and Commercial Workers International Union (UFCW); and the documentary [Essentiels](#) (Essential Workers); all of which detail these abuses, which were exacerbated by the COVID period. These violations of migrant workers’ rights in the agri-food sector are also an issue in European countries and in the United States, despite the fact that these places are supposed to have the strongest social laws in terms of human and labour rights. Thus, the question of migrant workers is a major corporate responsibility issue for food retailers, and one which concerns their entire supply chain, regardless of whether it is located in low, middle or high-income countries.

The United Nations’ International Organization for Migration (IOM) launched its [Fair and Ethical Recruitment Due Diligence Toolkit](#) to support companies and protect migrant workers. The organization also issued a [recommendations report](#) for States and the private sector on how to protect and respect the human and labour rights of migrant workers in Europe.

In addition, new governance models are emerging, such as the [Ethical Trade Initiative](#) (working group on migrant workers in the tomato sector in Italy) or the [Fair Food Program](#) in the United States. These initiatives constitute a new corporate responsibility model initiated and administered by workers ([Worker-driven Social Responsibility](#)) in partnership with retailers and farms. Note that the [Bangladesh Accord](#) (which now applies beyond this country), making it possible to usher in major improvements in labour conditions these past 10 years, is part of this multistakeholder governance model.

In the U.K., while various news articles have unveiled the recruitment fees paid by seasonal migrant workers, a group of investors signed a [statement](#) demanding, among other things, that employers reimburse workers for out-of-pocket recruitment fees. It should be mentioned that in the textile sector, the American Apparel & Footwear Association (AAFA) as well as the Fair Labor Association (FLA) renewed and strengthened their [Commitment to Responsible Recruitment](#) designed to protect migrant workers in global supply chains.

During our dialogues, several companies have been slowly making progress in this area. Loblaw mandated a third party to assess and strengthen the company's policies and processes related to human rights, including those of migrant workers. Target announced that it would be launching a pilot project to beef up its monitoring of agricultural suppliers in the United States and their ability to adopt human rights protection policies and practices. Ahold Delhaize is a member of the [Sustainability Initiative Fruit and Vegetables \(SIFAV\)](#), aimed at auditing agricultural suppliers from the U.S. and other European countries considered to be at medium risk when it comes to labour conditions.

While we are asking companies to align themselves with the [UN Guiding Principles](#) directed at companies and human rights, what we are seeking from them more specifically is the implementation of a human

rights-related due diligence process (risk assessment/management) expressly integrating issues associated with migrant workers, through the following:

- ⇒ Impact analyses regarding migrant workers;
- ⇒ Complete and explicit policies;
- ⇒ Supplier selection and monitoring processes that integrate this issue throughout the supply chain, in particular through audits;
- ⇒ Grievance management mechanisms covering the entire supply chain;
- ⇒ Disclosure of audit results and grievances received, as well as measures taken;
- ⇒ Reimbursement of recruitment fees, where applicable.

## DIVERSITY, EQUITY AND INCLUSION



In 2022, we discussed the issues related to diversity, equity and inclusion (DE&I) with a third of the companies in our action plans. These issues were brought up with companies operating in a range of activity sectors, including those in retail, information technology and communication.

To reiterate, as previously demonstrated by various reports, such as the one from McKinsey: [“Diversity wins: How inclusion matters”](#); and more recently, the As You Sow report: [“Workplace diversity and financial performance”](#), companies with diversified human resources are more apt to financially outperform their less diversified peers. As also highlighted in a [Glassdoor report](#), best practices related to DE&I help improve a company's ability to attract and retain talent.

However, where the survey by [PwC on diversity and inclusion in 2022](#) emphasizes the growing importance of this issue for organizations, it also underlines that diversity remains a barrier to career advancement and that few programs reach their full maturity. We have

found that promoting diversity does not automatically ensure a culture of inclusion. A purely formal and symbolic box-ticking approach is too often reported. As an example, the PwC study underscored the fact that most organizations polled have affinity networks/resource groups that are primarily used for promoting networks and carrying out programs, rather than for informing decision-making and helping define business priorities. Companies need to discuss this issue in a [holistic](#) fashion in order to be able to take meaningful and sustainable action on corporate culture.

With regard to governance, MSCI's [Women on Boards Progress Report 2022](#) showcases the progress made in recent years regarding female representation on boards of directors in the major international markets. In Canada, the [2022 Osler Report](#) confirmed this progress, noting that 26% of listed companies' board members were female (the latter figure being only 10% in 2015), with 12% of companies having no women on their boards. While Canada has advanced in this area, it still lags behind other countries, especially those in Europe.

In fact, this past November, the European Parliament voted in favour of a [law requiring European companies to have a female representation of at least 40%](#) on their boards by 2026. Finally, we should mention that in Canada, only [10%](#) of individuals on boards are visible minorities, Indigenous or people with disabilities.

RIA's 2022 report on the [Canadian Investor Statement on Diversity & Inclusion](#) brings to light the following: shareholder engagement is the dominant strategy used by signatory investors (83% of those surveyed); inclusion can only occur when there is trust; and disclosure must go beyond gender. What we seek from companies goes further than gender and simply disclosing numbers. In that vein, we are asking them to adopt a global and comprehensive approach to DE&I as it relates to gender, BIPOC communities and people with disabilities, through the following:

- ⇒ Compilation and disclosure of performance indicators;
- ⇒ Adoption of targets;
- ⇒ Commitment to salary equity;
- ⇒ Establishment of resource groups and communication channels for surveying employees;
- ⇒ Disclosure of information gathered from employees, including on possible abuses, as well as on how the results are used for improving corporate practices;
- ⇒ Training of employees and senior management;
- ⇒ Integration of DE&I objectives into executive compensation.

## EXAMPLES OF DIVERSITY, EQUITY AND INCLUSION GOALS ACHIEVED



**ACHIEVEMENT OF 30% FEMALE REPRESENTATION ON BOARDS:** **Constellation Software, Dollarama, Dollar Tree, Dollar General** and **Parkland Fuel** reached the 30% female representation threshold for their board of directors—a major step toward gender parity within this central body of companies.



**DISCLOSURE OF GENDER-RELATED AND/OR ETHNIC DIVERSITY DATA:** **Dollarama, Dollar Tree** and **Universal Health Services** now disclose their employee distribution by gender or ethnic group—key information to sustain the dialogue and help move these companies' practices forward.



**ADOPTION OF DIVERSITY TARGETS:** While **Dollarama, Parkland Fuel** and **WSP** have adopted gender diversity targets; **WSP** has adopted targets for underrepresented communities.



## ESG RISKS ASSOCIATED WITH THE ADULT ENTERTAINMENT INDUSTRY

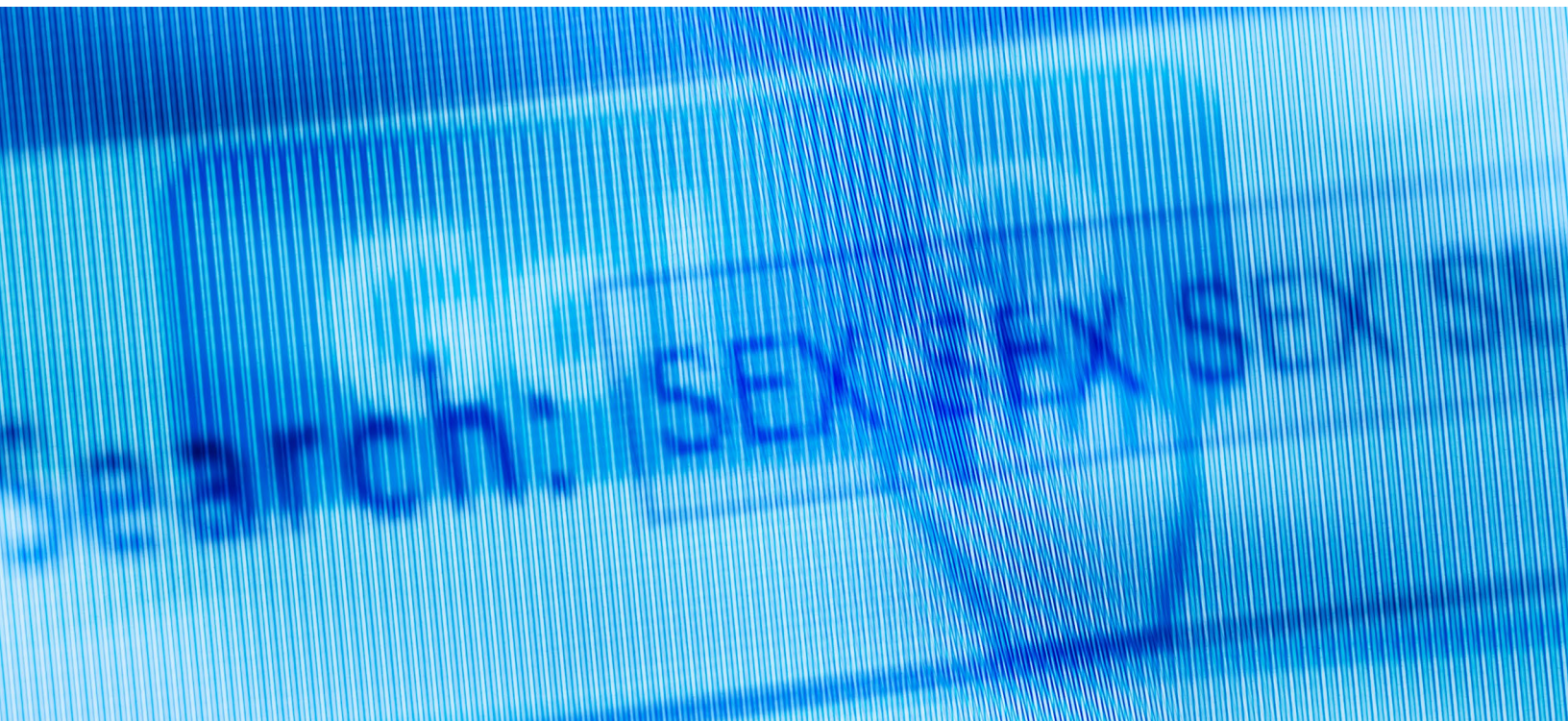
Æquo's services were called upon by a Canadian financial institution to conduct research into the ESG risks connected with the adult entertainment industry (AEI) and to give an overview of financial institutions' approaches thereto. Here are some of the key points we put forward:

The development of the internet profoundly changed the AEI's shape and the dominant economic players behind it, making it accessible, free-of-charge and offering readily available pornographic material through several large online content providers.

We identified the various ESG risks associated with the AEI, the most common of which regarding the social dimension, but also (to a lesser degree) governance. In terms of social issues, it is mainly a question of systemic violence against women, as well as sexist, racist, homophobic and unequal representations; sexual exploitation and human trafficking; child sexual exploitation; unauthorized use of one's image; and accessibility of content to minors. As for governance issues, these are most usually connected with fraud risks, in the form of money laundering and tax evasion.

While international legislation has been slow or reluctant to adapt in order to control content and its access to minors, the industry is seemingly incapable of regulating itself and has been the object of major controversies in recent years, particularly in Europe and North America. Generally speaking, the industry is not transparent, and it is difficult to clearly identify companies involved in the mainstream pornography field that have good practices. As for so-called ethical pornography, it seems to be mainly marginal, is usually the most expensive to access, and has little demand from users.

The results of our research on this topic suggest that if financial institutions overall do not seem very advanced in terms of a systematic approach for AEI management, then this is an industry that represents substantial risks and investors must pay close attention to them.





## ESG-BASED COMPENSATION

When undertaken properly, aligning compensation with the achievement of ESG objectives may improve both a company's ESG performance and its ESG impact. Such practices also illustrate that the ESG issues at stake are priorities for the company while making its management accountable for them.

Companies are subject to increasing pressure from investors and regulators to integrate such incentives. The data on practices and their progress these past several years, as unveiled in the reports “2022 Global Report on ESG Metrics in Executive Incentive Plans” by Willis Towers Watson, and “Linking Executive Compensation to ESG Performance” from the Conference Board, attest to the increased awareness of this kind of practice in Canada, the U.S., Europe and the U.K. Today, 77% of all listed companies on these markets integrate ESG indicators into compensation (up from 68% the previous year). Social issues are usually the ones given the most consideration when major progress is made in the areas of DE&I and climate. One can see the increase in such practices across all industries. The energy and public services sectors are where these practices are the most widespread, with IT placing in last position. While in the vast majority of cases, incentives are integrated into the short-term compensation plan, there is an increasing tendency to integrate these into long-term compensation programs, particularly in Europe.

That said, these practices may be subject to criticism and qualified as greenwashing when they are carried out superficially and disconnected from the company's strategy (and its ESG risks and opportunities). Moreover, the most common ESG issues are not well-entrenched, and companies disclose little information about targets and performance indicators.

While [shareholder engagement has a proven impact on spreading these practices](#), it is necessary to guide their progress in the right direction. As such, objectives must meet the following conditions:

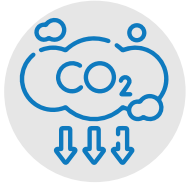
- ⇒ Be tied to concrete ESG issues (aligned with the company's own ESG risks/opportunities);
- ⇒ Be aligned with the company's strategy;
- ⇒ Represent a certain level of difficulty to achieve;
- ⇒ Be quantifiable, verifiable and communicated in a transparent fashion;
- ⇒ Be also integrated into long-term compensation.

In addition, the relevance and quality of objectives and metrics must be reassessed periodically.

## EXAMPLES OF COMPENSATION OBJECTIVES ACHIEVED



**Pfizer** and **WSP** decided to tie a portion of executive compensation to the achievement of ESG objectives.



**Cenovus** integrated a GHG emissions reduction metric into its executive compensation.



**Canadian Natural Resources** boosted the portion of its executive compensation tied to ESG objective achievement.

## SUSTAINABLE DEVELOPMENT GOALS



Since 2018, we have aligned each of our objectives with the United Nations Sustainable Development Goals. The latter are aimed at the world's greatest challenges related to poverty, inequality, climate, environmental degradation, and prosperity, as well as peace and justice. The private sector plays a pivotal role in achieving these objectives; and as a representative of our clients, we encourage companies, through our dialogues, to improve their performance in all 17 Sustainable Development Goals.

# Aequo's governance structure

It is the responsibility of shareholders to determine the composition of the board of directors. Shareholders commit to exercising their voting right by providing the company with a board, which is composed of a minimum of five directors and constituted according to the statutes and regulations that shareholders have put in place.

Since January 2023, the board has comprised five members and one observer.

- ⇒ Ms. Josée Cavalancia, Chairwoman and independent member
- ⇒ Mr. Éric Filion, Bâtirente representative
- ⇒ Mr. François Bourdon, independent member appointed by Bâtirente
- ⇒ Ms. Colette Harvey, representative appointed by the RRSE
- ⇒ Ms. Johanne Gélinas, representative appointed by Fondation
- ⇒ Mr. Éric Baron, observer appointed by Fondation.

From January 1, 2022, through December 31, 2022, the board was composed of six members—two representatives from Bâtirente: Éric Filion and Daniel Simard; two from RRSE: Colette Harvey and Jocelyne Morin; and two independent members: Josée Cavalancia and Caroline Bergeron.

The following files were their priority:

- ⇒ Strategic planning
- ⇒ Shareholder research
- ⇒ Development of partnership with Fondation
- ⇒ New shareholder agreement
- ⇒ Hiring of a new CEO

In December 2022, with the arrival of shareholder Fondation, the board composition was modified to create a new board as of January 2023.

Management and board members wish to thank those individuals who left the board in 2022 for their valuable collaboration—specifically, Sister Jocelyne Morin, Ms. Caroline Bergeron and Mr. Daniel Simard.

## BOARD OF DIRECTORS

The shareholders provide for at least four meetings of the board of directors, whose role is as follows:

- ⇒ Approving the strategic direction, business plan and resulting budgets, while ensuring that management follows up on these.
- ⇒ Monitoring financial integrity, approving financial statements and certifying the reliability thereof.
- ⇒ Ensuring the implementation of an integrated risk management system.
- ⇒ Electing and providing for the appointment of a board chair.
- ⇒ Forming board committees and approving their mandates.
- ⇒ Approving committees' recommendations.

## BOARD COMMITTEES

There have been two active committees since January 2023:

### Audit Committee

- ⇒ Annually revising the organization's risk review and providing a summary presentation thereof to the board;
- ⇒ Reviewing the financial situation during the year;
- ⇒ Reviewing and approving all financial requests that could have a major impact on the organization;

- ⇒ Monitoring the annual external audit, with support from management;
- ⇒ Recommending the approval of financial statements to the board;
- ⇒ Approving external auditors' mandates and professional fees;
- ⇒ Recommending external auditors;
- ⇒ Verifying, updating and applying the investment policy;
- ⇒ Ensuring the validity of the directors and officers liability insurance coverage;
- ⇒ Reporting on its work to the board.

## **Governance and HR Committee**

### **Governance tasks**

- ⇒ Drafting and implementing (as needed) policies and regulations, governance rules and committee mandates, and recommending these for the board's approval;
- ⇒ Reviewing the governance structure every second year and analyzing board composition and size;
- ⇒ Establishing skills and experience profiles for directors and statutory committee member positions, and recommending these for board approval;
- ⇒ Leading the director recruitment process;
- ⇒ Developing an assessment process, recommending it for board approval, and leading the performance assessment of the board and its committees, including that of the board chair and committees;
- ⇒ Drafting and implementing (as needed) the code of ethics and conduct for the board, and recommending it for board approval;
- ⇒ Analyzing all situations brought to its attention regarding ethics or professional conduct;

### **Human resources tasks**

- ⇒ Establishing the skills and experience profile for the CEO and recommending it for board approval;
- ⇒ Leading the development of an annual assessment process regarding CEO performance, annually assessing the CEO, and setting annual objectives for the latter as well as providing compensation-related recommendations for that position;
- ⇒ Handling all recommendations for removing the CEO from office;
- ⇒ Ensuring the recruitment of a CEO;
- ⇒ Guiding the CEO in the development and implementation of a succession plan for employees reporting to the CEO;
- ⇒ Preparing and implementing a succession plan for the CEO, if needed;
- ⇒ Ensuring the implementation of HR policies;
- ⇒ Inquiring at least once a year about the labour relations condition and work environment;
- ⇒ Receiving employee complaints.

The committee carries out all other related mandates entrusted to it by the board.

The committee reports on its work to the board.

## BOARD MEMBERS' SKILLS MATRIX

	Josée Cavallancia	Johanne Gélinas	Colette Harvey	Éric Filion	François Bourdon
<b>DIVERSITY REPRESENTATION</b>					
<b>Sex</b>					
Male				X	X
Female	X	X	X		
Other					
<b>Age category</b>					
41-55	X			X	X
56-65		X			
65 and older			X		
<b>Ethnic origin</b>					
Caucasian	X	X	X	X	X
Diverse background					
<b>Geographic sector</b>					
Region	Montréal	Montréal	Québec	Montréal	Montréal
<b>Director type</b>					
Independent	X				X
Non-independent		X	X	X	
<b>Work environment</b>					
Non-profit/Co-op				X	
SME					X
Self-employed worker	X	X	X		
Governmental/Paragovernmental					
Financial institution					

	Josée Cavallancia	Johanne Gélinas	Colette Harvey	Éric Filion	François Bourdon
<b>SKILLS, KNOWLEDGE OR EXPERIENCE</b>					
Board experience	X	X	X		X
Certified Director	X	X			
Legal experience	X				
Management experience	X	X	X	X	X
Accounting/finance/audits			X	X	
Marketing/Business intelligence				X	X
Project management			X		X
Business development / Sales	X	X	X	X	X
Human resources	X		X		
Finance					
Strategic planning	X	X	X	X	X
Communications / Public relations				X	
International experience					X
Risk management		X		X	X
IT/Technology/Cybersecurity				X	
Sustainable finance	X		X	X	X
Knowledge of ESG factors	X	X	X	X	X
<b>BOARD ATTENDANCE RECORD</b>					
Start date	Jan. 1, 2017	Dec. 22, 2022	May 16, 2019	Oct. 5, 2021	Dec. 22, 2022
Number of mandates (one year terms)	6	1	4	1	1



 [aequo.ca](https://aequo.ca)

 [info@aequo.ca](mailto:info@aequo.ca)

 **1111 SAINT-URBAIN STREET, SUITE 211, MONTREAL, QC - H2Z 1Y6**