

# Responsible Investment Policy

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## 1. BACKGROUND AND RESPONSIBLE INVESTMENT BELIEFS

Montrusco Bolton Investments Inc. (“Montrusco Bolton”) is a Canadian boutique asset manager, firmly established with roots tracing back to 1946. Headquartered in Montreal, the firm has an entrepreneurial culture with long-term strategic partners, a robust infrastructure, and sound governance, as well as a diversified investment offering. The company is privately owned and independent and serves institutional clients in Canada, the United States, Europe, South Africa, Asia and Australia.

We are committed to delivering financial performance for our clients through developing in-depth knowledge of portfolio candidates before investing in them. This means deepening our understanding of the internal and external forces that impact their operations. We also consider that companies which implement strong governance practices and effectively manage the material environmental and social impacts of their business activities are more likely to stay competitive and generate long-term value for investors and our society.

We believe that the incorporation of material environmental, social and corporate governance (“ESG”) factors into our investment process is part of our fiduciary duty and essential to assessing financially material risks and opportunities, contributing to our ability to deliver long-term performance to our clients.

MBI became a signatory of the Principles for Responsible Investment (PRI)<sup>1</sup> in 2011, an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact<sup>2</sup> (<https://www.unpri.org/>). The responsible investment approach outlined in this Policy is in line with the PRI.

This Responsible Investment Policy describes how we integrate ESG considerations across our investment process, from screening to active ownership and reporting. It does not refer to any regulations enacted by local or international jurisdictions.

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<sup>1</sup> The six UN Principles for Responsible Investment are detailed in Appendix 1 of this Policy.

<sup>2</sup> For more information about the UN Global Compact Principles, visit: <https://unglobalcompact.org/what-is-gc/mission/principles>.

## **2. SCOPE OF THIS POLICY**

Montrusco Bolton’s Responsible Investment Policy (the “Policy”) covers all internally managed assets, including Canadian, US and Global Equities and Fixed Income, and provides a framework for our responsible investment approach and our active ownership activities.

## **3. GOVERNANCE AND OVERSIGHT OF THE RESPONSIBLE INVESTMENT STRATEGY**

Our governance structure oversees the implementation of Montrusco Bolton’s commitment to Responsible Investment is embedded in everyday activities as well as key policies and processes. The structure is designed to allow the investment process to be decentralized across the different asset classes, while the governance and oversight of ESG matters are centralized.

The following is a summary of Montrusco Bolton’s main oversight bodies:

**Board of Directors:** Strategic oversight of Responsible Investment activities.

**President & CEO:** Strategic leadership and guidance on Montrusco Bolton’s Responsible Investment approach. Responsible for reviewing, endorsing, and approving ESG-related decisions.

**Senior Vice President, Governance and Chief Compliance Officer (CCO):** Strategic leadership and guidance on Montrusco Bolton’s Responsible Investment approach. Also responsible for reviewing, endorsing, and approving ESG-related decisions. Monitoring of compliance with Responsible Investment principles following the recommendations from the Manager, Responsible Investment and Corporate Responsibility.

**Manager, Responsible Investment and Corporate Responsibility:** Oversight and monitoring of the investment process and activities’ compliance with the Responsible Investment principles outlined in this Policy.

**Responsible Investment Committee:** Oversight and monitoring on the progress of Responsible Investment implementation strategy, as well as formalizing processes and providing recommendations to the Manager, Responsible Investment and Corporate Responsibility. It also provides support and feedback on ESG integration to the investment teams and leads reporting



activities. The Manager, Responsible Investment and Corporate Responsibility coordinates and sits on this Committee.

**Investment teams and portfolio managers:** Implementation of Montrusco Bolton’s Responsible Investment strategy described in the Policy throughout the investment process, as well as providing support in collecting ESG-related information and activities.

## **4. ESG INTEGRATION**

We believe that the integration of ESG factors into our investment process, combined with active engagement with companies we invest in, are effective ways to address ESG issues in our portfolio. The integration of ESG factors into asset selection complements our investment style, which utilizes a bottom-up, fundamental approach to evaluating portfolio candidates. An active engagement further supports our philosophy of investing for the long term.

### **a) Negative Screening**

#### **Exclusions based on controversial business activities**

Our investment teams exclude from their investable universe companies that have revenues (over a certain percentage) derived from activities such as adult entertainment, gambling, tobacco products, alcoholic beverages and weapons, with this list not being exhaustive as it only references the exclusions common to all strategies.

#### **Norms-based exclusions**

Our investment teams exclude companies that are deemed to be in violation of international standards such as the UN’s Global Compact Principles, International Labour Organization (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

Investment teams also exclude companies that are located in Major Sanctioned Countries<sup>3</sup>.

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<sup>3</sup> List of current sanctions imposed by Canada under the United Nations Act (UNA), the Special Economic Measures Act (SEMA) and the Justice for Victims of Corrupt Foreign Officials Act (JVCFOA).

## **b) Research & Analysis**

Our investment teams assess ESG factors alongside our analysis of fundamental factors such as financial strength, industry dynamics, competitive differentiators and management quality. We apply our own methodology to identify corporate governance red flags and use external research to critically assess the ESG performance of portfolio companies.

The process is underpinned by Montrusco Bolton's proprietary Sustainability Scoring Framework, an evaluation method which is centered on five sustainability pillars:

- **Planet**
  - Environmental policies and climate risk management
  - Carbon intensity and emissions reduction targets
- **People & Society**
  - Diversity and anti-discrimination policies
  - Labour standards and talent development
- **Governance**
  - Compensation practices and alignment with shareholders
  - Board independence and corporate structure
- **Operations**
  - Product/service safety, security and reputation
  - Supply chain management
- **Disclosure**
  - Transparent reporting and accounting practices
  - Sustainability reporting and disclosures

A sustainability score is obtained through the analysis of publicly available documentation of specific ESG factors, according to the five pillars described above. The sustainability score highlights the ESG performance of each company and allows for comparable analysis.

Lastly, the Value Reporting Foundation's Sustainability Accounting Standards Board (SASB) Standards<sup>4</sup> are leveraged to identify relevant material ESG topics per sector. Since each company

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<sup>4</sup> SASB standards guide the disclosure of financially material sustainability information by companies to their investors. Available for 77 industries, the Standards identify the subset of environmental, social and governance issues most relevant to financial performance in each industry.

is different, every investment professional uses their knowledge of company operations and sectors to complement the research by identifying potential additional financially material ESG risks.

### **c) Monitoring & Risk Management**

The investment teams monitor compliance with exclusions as well as sustainability scores periodically to identify low or declining scores. In such a situation, they would evaluate options such as engagement tactics or the sale of a security.

In addition, in order to ensure effective oversight, monitoring of Responsible Investment compliance is integrated into our firm's internal compliance framework. Under this framework, both internal and external data are leveraged to track compliance with the Responsible Investment principles outlined in this Policy.

As stated in the Governance and Oversight section of this policy, it is the responsibility of the Manager, Responsible Investment and Corporate Responsibility to oversee the compliance of the investment process and activities with Responsible Investment principles through regular audits. Meanwhile, the Senior Vice President, Governance and Chief Compliance Officer (CCO) is also responsible for supervising compliance with Responsible Investment principles, following the recommendations from the Manager, Responsible Investment and Corporate Responsibility.

- **The investment teams** regularly monitor exclusions and sustainability scores. If scores are low or declining, options like engaging with stakeholders or selling securities are considered.
- **Responsible Investment compliance** oversight is integrated into our internal compliance framework, using both internal and external data.
- **The Manager, Responsible Investment and Corporate Responsibility** is responsible for ensuring that investment processes comply with Responsible Investment principles through regular audits, while Senior Vice President, Governance and Chief Compliance Officer (CCO) supervises compliance based on her/his recommendations, as detailed in the Governance and Oversight section.

## **5. SYSTEMIC ESG ISSUES**

At Montrusco Bolton, we take systemic ESG issues into consideration when outlining our macro-economic views, as well as when assessing long-term risks that may impact individual portfolio companies.

### **Transition to a Lower-Carbon Economy**

We acknowledge that as the transition to a lower-carbon economy unfolds, there may be systemic changes that could impact the financial services industry. Furthermore, Montrusco Bolton's investment funds may be exposed to climate-related regulatory developments, as well as market and technological forces that will affect return on investment. As a result, understanding climate-related physical and transition risks and their impact on portfolio companies is key in order to assess the impacts of the transition to a lower-carbon economy on Montrusco Bolton's investments. Where material, climate-related risks and opportunities are analyzed and assessed by the investment teams throughout the investment process.

## **6. STEWARDSHIP**

Montrusco Bolton seeks to achieve alignment on engagement themes and measurable outcomes through regular communication with management teams of portfolio holdings as well as through independent proxy voting.

### **Engagement**

Engagement per sector is led by an analyst, who is well positioned to evaluate management quality, competitive advantages, capital allocation and sustainability practices. Ongoing discussions with management teams are aligned with the SASB Materiality Map to focus on important factors for the related industry. Lastly, our investment teams strive to develop long-term relationships with company management teams and to have consistent dialogue that is respectful and creates mutual trust.

We aim to engage with management teams of portfolio holdings on a regular basis, particularly with those companies that, according to our analysis, require improvements in their management



ESG issues, to maintain an open dialogue and track progress on engagement topics. Each meeting is documented in our database for reference and monitoring.

In addition, we encourage our investee companies to develop policies on key ESG issues related to their business activities and to establish practices that comply with the following international standards:

- International Labour Organization Declaration on Fundamental Principles and Rights at Work<sup>5</sup>,
- OECD Guidelines for Multinational Enterprises<sup>6</sup>.

### **Collaborative Engagement**

In addition to Montrusco Bolton’s direct active engagements, we believe that collaborative engagements represent an effective way to promote the advancement of ESG practices. In particular, we aim to focus on themes that are relevant to Montrusco Bolton’s investment strategy and philosophy, and that allow for proactive participation in the responsible investment movement, such as systemic ESG issues (e.g. climate change and the transition to a lower-carbon economy) and the promotion of better ESG disclosures from corporates.

### **Engagement With Policy Makers**

Our approach to active ownership includes potentially engaging with policy makers and standard setters when appropriate. We are open to seek engagement opportunities to improve ESG practices and create long-term, sustainable value for companies, investors and society as a whole.

We actively engage in responsible investment in Canada, including promoting the Principles for Responsible Investment (PRI).

## **7. PROXY VOTING**

Exercising our shareholder voting rights is a fundamental part of our active ownership strategy, essential to maximize the long-term value of our investments. We evaluate proxy proposals

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<sup>5</sup> Details in Appendix 2.

<sup>6</sup> Details in Appendix 3.

versus our Proxy Voting Guidelines, which include guidance related to companies' social and environmental responsibility.

Proxy ballot issues addressing ESG issues are evaluated on a case-by-case basis and based on the international conventions to which Canada is part of, including the United Nations Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

Montrusco Bolton uses the platform of Institutional Shareholder Services (ISS) to facilitate the proxy voting process. However, all shareholder proposals are voted manually and independently of both management and ISS recommendations by our investment teams.

Please refer to *Montrusco Bolton's Proxy Voting Policy* for more details on the firm's proxy voting guideline.

## **8. KEY ASSOCIATIONS**

### **Principles for Responsible Investment**

We have been a signatory of the Principles for Responsible Investment (PRI) since 2011,<sup>7</sup> an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact<sup>8</sup> (<https://www.unpri.org/>).

### **Responsible Investment Association**

In September 2020, Montrusco Bolton became a member of the Responsible Investment Association ('RIA'). The Responsible Investment Association (RIA) is Canada's industry association for responsible investment.

### **SHARE**

In 2015, we became a member of Shareholder Association for Research and Education (SHARE), which is an organization that promotes responsible investment practices and corporate governance. SHARE works with institutional investors to engage companies on environmental, social, and governance issues.

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<sup>8</sup> For more information about the UN Global Compact Principles, visit: <https://unglobalcompact.org/what-is-gc/mission/principles>.

**Ceres Investor Network**

In 2023, we became a member of Ceres Investor Network, an network of investors committed to responsible investment practices and policies and seeking to address ESG issues.

**Climate Action 100+**

In 2023, we joined Climate Action 100+, an investor-led initiative aimed at ensuring the world's largest corporate greenhouse gas emitters take appropriate action on climate change to mitigate financial risk and maximize the long-term value of assets.

**Climate Engagement Canada**

In 2024, we became a member of Climate Engagement Canada, a finance-led initiative that fosters dialogue between the finance sector and industry to promote a just transition to a net-zero economy.

## **9. REPORTING**

We provide clients with periodic reports on our progress in terms of responsible investment, outlining Key Performance Indicators (KPIs) on the firm and our portfolios.

We also publish our proxy voting reports on our website.

## **10. POLICY REVIEW**

This policy reflects Montrusco Bolton's responsible investment approach as of September 2024 and is reviewed annually.

## APPENDIX 1 – GLOSSARY<sup>9</sup>

**Active ownership or stewardship** refers to activities that institutional investors can use individually or collaboratively to encourage the companies they are already invested in to improve their ESG risk management or develop more sustainable business practices with the goal of maximizing overall long-term value.

**Engagement** involves discussing ESG issues with companies to improve their handling, including disclosure, of such issues. It can be done individually, or in collaboration with other investors. Engagement consists in having interactions between an investor (or an engagement service provider) and current or potential investees (e.g. companies), conducted with the purpose of improving practice on an ESG issue, changing a sustainability outcome or improving public disclosure.

**ESG factors** are environmental, social and governance issues that are identified or assessed in responsible investment processes.

- Environmental factors are issues relating to the quality and functioning of the natural environment and natural systems.
- Social factors are issues relating to the rights, well-being and interests of people and communities.
- Governance factors are issues relating to the governance of companies and other investee entities.

**ESG integration** refers to the process of including ESG factors in investment analysis and decisions to better manage risks.

**ESG risks** are, for an investor, an environmental, social or governance risk, a factor or issue that may expose a security, issuer, investment, or asset class to unexpected changes in its current and future financial, economic, reputational, and legal prospects. At a corporate or issuer level, the disclosure of an ESG risk would be reasonably expected by investors, as its omission would result in an incomplete understanding of current or future financial prospects.

**ESG opportunities** arise due to changes in ESG factors that might stem from regulation, technology, consumer demand development, or from other drivers that affect the current and future financial, economic, reputational, and legal prospects of an investment opportunity. The ESG opportunity may also result in an improved sustainability outcome for the environment, the community or society.

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<sup>9</sup> For more information about Responsible Investment or the Principles for Responsible Investment (PRI), please visit the website <https://www.unpri.org/>.

**ESG screening** consists of the application of filters to lists of potential securities, issuers, investments or sectors to rule investments in or out based on investor's preferences, investment metrics or risk assessments. Screening covers screening conducted under a manager's policy and client-directed screening.

- **Positive screening** consists of investing in sectors, companies or projects selected for their positive ESG performance relative to industry peers.
- **Negative screening or exclusions** consists of excluding certain sectors, companies or projects for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g. avoiding particular products, services or business practices).
- **Norm-based screening** consists of screening investments against minimum standards of business practice based on international norms. Widely recognized frameworks for minimum standards of business practice include UN treaties, Security Council sanctions, the UN Global Compact, the Universal Declaration of Human Rights and OECD guidelines.

**Systemic risk** refers to risks transmitted through financial markets and economies that affect aggregate outcomes, such as broad market returns. Systemic ESG issues pose systemic-wide risks to the common economic, environmental, and social assets on which returns and beneficiary interests depend.

**Proxy voting** consists of formally expressing approval or disapproval through voting on resolutions and proposing shareholder resolutions on specific ESG issues. In practice, this includes taking responsibility for the way votes are cast on topics that management raises, as well as submitting resolutions as a shareholder for other shareholders to vote on (in jurisdictions where this is possible). Voting can be done in person, during an Annual General Meeting (AGM) or by proxy.

**Responsible investment** could be understood as an umbrella encompassing different investment strategies, among them: ESG Integration, Sustainability Outcomes, Socially Responsible Investment and Impact. In particular, ESG Integration is the strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership. It complements traditional financial analysis and portfolio construction techniques.

## **APPENDIX 2 – THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT**

### **The Six Principles**

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society.

Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

**Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.

**Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.

**Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.

**Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.

**Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.

**Principle 6:** We will report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The United Nations Secretary-General convened the process. In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries and better align our investment activities with the broader interests of society.

**We encourage other investors to adopt the Principles.**



## **APPENDIX 3 – INTERNATIONAL STANDARDS**

### **OECD Guidelines for Multinational Enterprises**

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting.

The Guidelines' recommendations express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational enterprises. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

[Responsible business conduct | OECD](#)

### **International Labour Organization Declaration on Fundamental Principles and Rights at Work**

Adopted in 1998 and amended in 2022, the Declaration commits Member States to respect and promote principles and rights in five categories, whether or not they have ratified the relevant Conventions. These categories are freedom of association and the effective recognition of the right to collective bargaining; the elimination of forced or compulsory labor; the abolition of child labour; the elimination of discrimination in respect of employment and occupation; and a safe and healthy working environment.

[About the Declaration | International Labour Organization \(ilo.org\)](#)