Vancity Investment Management

Shareholder engagement report.

2025 Q1

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Quarter in review.

During the first quarter of 2025, we concluded discussions with several companies we'd filed shareholder proposals with in 2024 but had not yet met with in the fourth quarter, including Bank of Montreal (BMO) and Toronto-Dominion (TD) Bank. In preparation for annual general meetings taking place in Q2 2025, we also developed presentation materials to support those proposals. In parallel, we initiated new engagements and continued our efforts on existing ones. Notably, we launched new nature-related engagements aimed at advancing our biodiversity commitments. We also continued working with several companies to support compliance with modern slavery legislation and to promote best practices in human rights and supply chain due diligence. Overall, Q1 was a period of strategic groundwork and new initiatives, laying the foundation for more intensive engagement activities later in 2025. We remain committed to partnering with companies to help them become stronger environmental stewards, responsible employers, and positive contributors to their communities.

Our philosophy and engagement framework.

Established in 1995, Vancity Investment Management was one of the first wealth management firms in Canada to focus on investments that deliver competitive returns while making a positive impact on the world. Today we continue to lead the way. Putting people and the planet first, and the creation of an inclusive society, are at the centre of our engagement work. Our engagement framework addresses the seven impact areas we've identified as most important to our work, as follows:

1. **Biodiversity and nature**
2. **Climate, energy, and just transition**
3. **Financial resilience and diversity, equity, inclusion, and Reconciliation (DEIR)**
4. **Governance and disclosure**
5. **Health care**
6. **Human capital management**
7. **Human rights**

Most of our engagements support multiple impact areas. Throughout this report, we identify these areas and, for tracking purposes, designate one primary focus for each engagement. For instance, our efforts to encourage Canadian companies to disclose the CEO-to-median employee pay ratio primarily align with our governance and disclosure objectives, while also touching on human capital management, financial resilience, and diversity, equity, inclusion, and Reconciliation (DEIR). This holistic approach to environmental, social, and governance (ESG) issues underpins all of our engagement activities.

In this report, you'll find graphs and summaries of our overall engagement efforts, insights into our 2024/25 proxy voting activity, and highlights from select engagements in Q1 2025.

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Engagement activites in Q1 2025.

Counterparty	Topic	Primary impact area	Contributes to impact area
TD Bank	Executive compensation and vertical pay metrics		
TD Bank	Board governance and climate matters – audit of board selection process		
BMO	Fossil fuel lobbying disclosure		
CIBC	Disclosure on climate transition plans		
Boralex	Forced labour and supply chain due diligence		
Exchange Income Corporation	Climate disclosures and setting net-zero targets		
Louis Vuitton Moet Hennessy (LVMH)	Nature disclosures - World Benchmarking Alliance, Nature Benchmark Engagement		
LVMH, Hermes, and Brunello Cucinelli	Nature disclosures - Finance for Biodiversity Foundation Fostering Action for Biodiversity through Responsible Investment in Clothing (FABRIC) Initiative		
Apple, LVMH, Amazon, Alphabet, Unilever, and YUM! brands	Valuing Water Finance Initiative		
Waste Connections	Climate Engagement Canada		
Alphabet	Ethical use of AI		
Nutrien and Costco	Nature Action 100		
Cisco	Customer and supply chain due diligence - operating in conflict-affected and high-risk areas		
The Northwest Company	Indigenous Reconciliation		
Five Below	Living wages		
Darling Ingredients	Animal waste and pollution - FAIRR Initiative		
Bridgestone Corporation	Forced Labour and supply chain due diligence		

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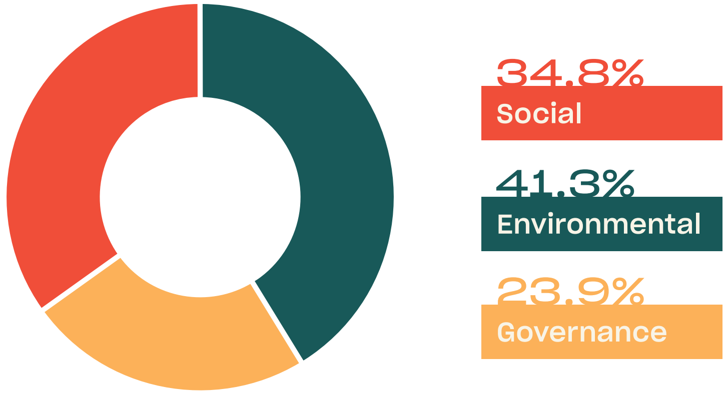
ESG categories.

This diagram shows the percentage of engagements in this reporting period tied to each of the ESG categories.



Sustainable development goals.

Our engagement activities helped advance a number of the United Nations' (UN) sustainable development goals (SDGs). These goals are designed to address poverty, economic inequality, gender equity, and environmental sustainability. The UN and many governments explicitly recognize that business cannot thrive unless these goals are met. This chart illustrates the percentage of our engagements tied to each SDG.

54.1%	Responsible consumption and production	12 Responsible consumption and production
32.4%	Clean water and sanitation	6 Clean water and sanitation
29.7%	Good health and well-being	3 Good health and well-being
21.6%	Decent work and economic growth	8 Decent work and economic growth
21.6%	Climate action	13 Climate action
18.9%	Reduced inequalities	10 Reduced inequalities

16.2%	Life below water	14 Life below water
16.2%	Life on land	15 Life on land
10.8%	Zero hunger	2 Zero hunger
8.1%	Peace and, justice, and strong institutions	16 Peace, justice and strong institutions
8.1%	Sustainable cities and communities	11 Sustainable cities and communities

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Proxy voting.

We've adopted the Shareholder Association for Research and Education's (SHARE) model proxy voting guidelines. We participated on the SHARE's Proxy Voting Guidelines Advisory Committee, playing an integral role in the development of these guidelines to ensure they reflect best practices and are aligned with our responsible investing philosophy. Groupe Investissement Responsible (GIR) executes our proxy voting based on SHARE's guidelines. GIR partnered with SHARE in 2020 to establish a single entity to execute proxy votes and since this time, we've abided by SHARE's model proxy voting guidelines and used GIR to execute votes.

Proxy voting is a critical avenue for engagement and an opportunity for shareholders to elevate the importance of ESG issues to management. As can be seen in the table below, we've regularly supported proposals raised by other shareholders on environmental, social, and governance issues and often vote against executive compensation packages.

	2024	2025
	Q1	Q1
Number of company AGMs	24	27
Number of engagement meetings with companies	10	9
Say on pay - total proposals	7	25
Say on pay - proposals we voted against	6	18
Say on pay - % against total	86%	72%
Shareholder proposals - Total	12	21
Shareholder proposals - against management recommendation	5	7
Shareholder proposals - % supported against management recommendation	42%	33%
Director election - total	86	264
Director election - voted against	63	166
Director election - % of total we opposed	73%	63%
Shareholder proposals - environmental	1	1
% voted for/abstain against Board recommendation	0%	100%
Shareholder proposals - social	4	4
% voted for/abstain against Board recommendation	25%	75%
Shareholder proposals - Governance	7	3
% Voted for/abstain against Board recommendation	57%	66%

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Engagement highlights.

Vertical pay metrics proposal with TD Bank.

Following our 2024 shareholder proposal requesting greater transparency in how TD Bank determines executive compensation, we met with the bank in January 2025. TD Bank confirmed it will begin disclosing its CEO pay ratio in the 2025 management proxy circular. The CEO ratio is important because it measures how a company's top executive compensation compares to that of its average or median worker, offering insight into internal pay equity. TD's decision to disclose the CEO pay ratio reflects the result of several years of dialogue—not only with TD, but also with other Canadian banks—focused on improving transparency and accountability around executive pay. These engagements stem from a growing concern about the long-term trend of rising executive compensation alongside stagnating or declining median worker pay, a dynamic that poses risks to social cohesion and may introduce cost inefficiencies within companies. As concerns grow around rising executive pay and income inequality, TD's commitment signals progress in aligning with evolving investor expectations, and emerging regulatory requirements related to internal pay metric disclosure.

Climate governance proposal with TD Bank.

In 2024, alongside investor group Investors for Paris Compliance (I4PC) and asset manager Green Century Capital Management, we co-filed a shareholder proposal with TD Bank. The proposal called for an independent review of TD's board governance policies and director selection criteria, with a specific focus on climate expertise. We met with TD Bank this quarter to discuss the proposal. TD indicated that it's undertaking a governance review and aims to better reflect climate-related proficiencies in board oversight. As a result, the proposal was withdrawn; however, dialogue on this topic will continue. I4PC will also present the proposal at TD's AGM to further encourage the bank to disclose more concrete details about its climate transition activities.

Climate proposal with Canadian Imperial Bank of Commerce (CIBC).

We met with CIBC to follow up on our late-2024 climate proposal, which requested disclosure of the industry-specific metrics used to assess client transition plans against the bank's 2030 interim financed emissions targets. Reducing financed emissions is critical to safeguarding CIBC's long-term financial stability, as these emissions impact both financial performance and overall risk exposure. With an estimated 12% loss in global GDP for every 1°C rise in temperature, the financial stakes are clear. Although CIBC has committed to greater transparency around its decarbonization strategy, its disclosures remain limited relative to peers and are further compounded by its recent withdrawal from the Net-Zero Banking Alliance. Our proposal will be presented at CIBC's AGM in Q2, 2025.

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Engaging multiple sectors on water-related risks.

As part of the Valuing Water Finance Initiative (VWFI), we signed investor letters to Apple, LVMH, Amazon, Alphabet, Unilever, and YUM! brands urging them to disclose the most water-dependent areas of their supply chains and strategies for mitigating water-related risks. Water quality and management are increasingly critical engagement priorities, as freshwater scarcity threatens economic stability, growth, and global supply chains. Climate change is intensifying these risks, with extreme weather events like droughts and floods already disrupting industries—from rising crop prices to bottlenecks in sectors like microchips. VWFI is a global, investor-led effort comprising 104 investors representing $17.7 trillion USD in assets.

Reducing negative impacts on nature in the apparel industry.

In late 2024, we joined the FABRIC initiative, organized by the Finance for Biodiversity Foundation. The investor-led coalition aims to work with companies to publicly commit to reducing negative impacts on nature throughout the lifecycle of their products, from sourcing to end-of-life. They also aim to align their efforts with the Global Biodiversity Framework's targets by 2030.

This will be a multi-year engagement as we work closely with companies on achieving this goal via assessment, targets, disclosure, governance, and stakeholder engagement. With this initiative we sent an initial outreach letter to LVMH, Hermes, and Brunello Cucinelli in Q1, 2025.

Monitoring supply chain due diligence with Boralex and Bridgestone.

As a company sourcing products from renewable energy supply chains, such as solar panels, Boralex faces unique human rights risks that require careful oversight. We've engaged with Boralex for several years to monitor their supply chain due diligence. This quarter, we met to discuss updates, particularly on human rights governance. Based on this discussion, we recommended onsite supplier audits, publishing a supplier list, and developing a standalone human rights policy, among other measures. Boralex continues to actively enhance its human rights due diligence processes and most recently, formally incorporated ESG considerations into their overall enterprise risk framework.

We collaborated with investor support group, SHARE, to send correspondence to Bridgestone Corporation regarding their operations in Liberia. Our aim was to ensure the company's adherence to international labour and modern slavery standards in relation to workers on the Firestone Liberia rubber plantation. We received a timely and comprehensive response from Bridgestone, which we're reviewing to determine if a follow-up engagement is necessary.

Addressing ethical Artificial Intelligence (AI) with Alphabet.

With the rapid growth of AI, we've actively engaged several companies to ensure its ethical development and use. Most recently, we wrote to Alphabet expressing concerns about its transparency, accountability, and commitment to responsible AI practices—particularly in AI-driven targeted advertising. In our letter, we urged Alphabet to conduct a human rights impact assessment on its AI-driven targeted advertising technology.

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Other Q1 2025 highlights.

Launch of Vancity Investment Management's inaugural Biodiversity Report.

Our inaugural *Biodiversity Progress Report* is now available. The report highlights our growing recognition of biodiversity as a material issue and outlines how we're beginning to integrate biodiversity considerations into our investment process. It also showcases our nature-focused engagement work with portfolio companies, including efforts to align with evolving global frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD). This report reflects our commitments under the Finance for Biodiversity Pledge—of which we were the first Canadian signatory—and positions us among the first asset managers globally to release a report aligned with the pledge. It also signals our commitment to nature-positive investing and demonstrates how we intend to use our role as investors to help address biodiversity loss.

Investor Statement: comprehensive and just immigration reform.

We were one of nearly 100 institutional investors that supported a statement issued in support of comprehensive U.S. immigration reform that investors like us view as critical to creating business certainty, operational continuity, economic expansion, and a more cohesive and just society. The statement includes a series of recommended actions for Congress, companies, and investors to help achieve this goal. The statement was issued in response to recent executive orders that are already resulting in an increase in raids by U.S. Immigration and Customs Enforcement (ICE) and the deportations and detentions of people and families without documentation. These political actions are creating heightened anxiety and unpredictability that investors say are already impacting the markets.

Vancity Investment Management is located on the unceded territories of the Coast Salish territory, represented today by the Musqueam, Squamish and Tsleil-Waututh Nations. They have been custodians of this land for thousands of years and we would like to pay our respect to the elders both past and present.

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