

**BOREALIS**

**GLOBAL ASSET MANAGEMENT**

**SUSTAINABILITY REPORT**

**2020**



## Message from our leadership team

The decade that begins will be that of inclusive thinking, which will shed new light on the concept of capital. Everyone in society is involved in redesigning how we account for things, from governments to regulatory agencies, professional bodies, academia, NGOs, and corporations. Building on this vision, in 2020 we planted the seeds for a renewed asset management, centered around the values of transparency, alignment of interest, resource stewardship, and corporate responsibility.

The year 2020 will have marked every generation for the years to come. Never have we been so community-centric and yet so globally focused, so isolated yet so connected to each other. The year 2020 unquestionably revealed our interdependence on each other and the interconnectedness of everything. Every day, acts of kindness are performed. Acts of division as well. Every day, people strive to find a way to share without dividing.

Only by acknowledging our heritage and take what is best, as Bernard de Chartres said, “upon the shoulders of giants”, will we be able to broaden our field of vision and spur a positive creative momentum to better understand and redefine our roles and responsibilities.

Welcome to Borealis Global Asset Management. This is our inaugural Sustainability report, and we look forward to any comments or suggestions you may have. Responsible finance is a journey, and we are just getting started.



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Florent Salmon  
Managing Partner



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Managing Partner



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### Measuring our impact - Operations

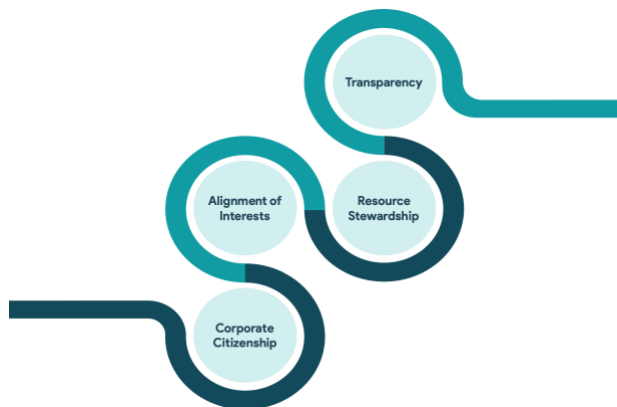
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### Our goals and targets

## Context

Our policies are based on four values: Transparency, Alignment of Interest, Resource Stewardship, and Corporate Citizenship. These four core principles guide all our activities from our investment research to shareholders engagement activities and proxy voting, as well as the overall way of doing business. They ultimately support our corporate mission.

In choosing to invest responsibly, our intent is to influence corporations’ strategic choices and ultimately direct capital flows towards sustainable economic activities. We are convinced that engaging in a responsible approach to our activities is the foundation of a resilient, efficient and sustainable business model.



## Scope

Our report covers all our activities. We aim to highlight our impact both on an absolute basis and intensity basis, as we want to benchmark ourselves against peers but also against planetary boundaries and social norms. Reporting will evolve as Borealis expands over the next years, and as tools, frameworks and standards get agreed upon locally or globally.

## Approach

We view responsible investing as a mindset, which goes beyond “buy and sell” decisions. Managing funds on behalf of our clients entails an unwavering commitment to act responsibly, from stock selection, project analysis, investment, engagement, proxy voting as well as to partner with like-minded people to promote sustainable finance.

At the core of our philosophy is a holistic approach to investing. This means looking at a company with many lenses: economic, social, innovation, human. When it comes to selecting tools for financial and non-financial data collection and analysis or selecting frameworks for reporting, everything was designed with adaptability in mind.



## Mission statement and Stewardship

Our first year was dedicated to answer the five foundational questions of every start-up company: WHO are we and what do we stand for, WHY do we exist and what is our goal, HOW do we want to work together towards achieving our goal, and WHAT do we offer to the world.

Driven by our corporate mission, our newly designed operational framework will guide our daily decisions and show us the path forward to achieve our corporate goals.

## Affiliations

We support, to the extent we can, global and local initiatives that are committed to the development and sharing of best practices in our business area.

Borealis GAM is a member of the Emerging Manager Board (CGE-EMB), a non-profit organization with the mission of promoting and contributing to the growth of emerging managers in Canada.



In 2020, we have also joined the ranks of the Portfolio Manager Association of Canada (PMAC), a 280-member strong organization established in 1952, dedicated to advocating the highest standards of portfolio management.

## Reporting and disclosure

Consistent with our core value and in support of our UNPRI commitment, we published our first Responsible Investing report, which highlights our voting decisions and engagement activities during the season 2020/2021. We also shared our position on key emerging governance topics via our quarterly newsletter. Additional publications will come over time and we are eager to share more about our progress in the coming months.

## Borealis LAB

Responsible finance is in its infancy. Knowledge is created every day and emanates from all over society, by people driven to build bridges and design new ways of thinking and new paths to travel.

Building on the strength of our community, we aim to stay at the forefront of innovation and continuously improve the way we operate. As we build our network of partners, projects will be selected, undertaken, and reviewed every year.

Our processes need to be able to improve and morph along with technology and societal expectations, hence our decision to set up an innovation lab from the start.

## UNPRI Commitment

Our organization is proud to have become a PRI signatory in its first year of existence. Committing to the 6 Principles of Responsible Investment crafted by the United Nations was an important milestone and is fully aligned with our own values of transparency and corporate citizenship.

PRI is the largest responsible investment reporting initiative globally. We submit our first report under PRI's new Reporting Framework in 2021. This annual reporting exercise will help us track our progress and sustainability outcomes, in addition to providing an effective way to communicate our corporate values.

Signatory of:



## Introduction

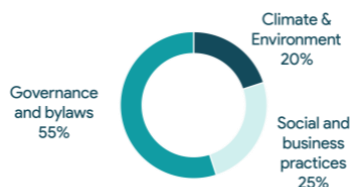
Our four principles of Transparency, Alignment of Interests, Resource Stewardship, and Corporate Citizenship guide all our activities from investment research to shareholders engagement activities and proxy voting, as well as the overall way of doing business. We built our policy on these four principles and adherence to our policy ensures consistency of voting decisions across the investment team and safeguards the integrity of our message to investee companies and clients.

In casting our vote and engaging with companies, our intention is to influence strategic choices and ultimately direct capital flows towards sustainable economic activities.

## Major themes and Shareholders’ proposal trend

In 2020, the number of shareholders' proposals continued to grow, and, for the first time, shareholders put more proposals related to environmental and social issues than traditional governance issues (such as proxy access or board independence). Priorities shifted in the midst of the pandemic, propelling Climate change and diversity & inclusion topics to top spots during shareholders' engagement meetings. With little to no action following discussions over the past decade, and shareholders' patience growing thin, E&S proposals have skyrocketed. The trend was similar among our investee companies, with 45% of shareholders’ proposals related to E&S issues.

Shareholders’ proposal by topic



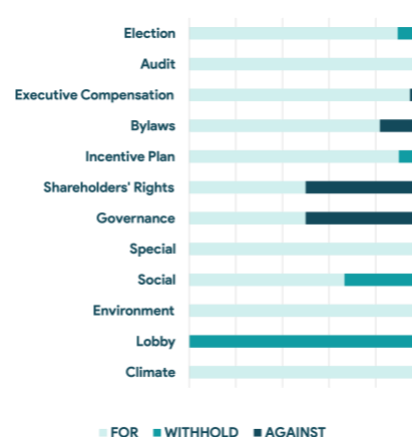
## Where do we stand and how did we vote

Ahead of proxy season, emerging topics are discussed, and enhanced guidelines are set in order to maximize voting consistency.

We do not automatically support management nor shareholders' proposals. The merit of each proposal is carefully analyzed, guided by our governance principles and current best practices. Special attention is given to shareholders' proposals. In addition to reviewing these proposals, we investigate each proponent and its legitimacy. Our voting decisions reflect a balancing act between shareholder's intention and management response and progress.

During the 2020/2021 proxy season, we cast our votes on 523 proposals, of which 19 were related to environmental, social or governance issues and put forward by shareholders. We voted against management on 44 resolutions, representing 8% of all resolutions. We disagreed with the board on issues related to board structure (classified board, size of the board), excessive executive compensation, climate and social disclosure, and the nomination of specific individuals.

Voting decisions by topic



Voting decisions by proponent



## OUR PORTFOLIOS

### People wellbeing

Human capital has become scarce and expensive. Many industries were already coping with labor shortages pre-pandemic, and the current economic rebound is making the issue even worse. Being able to attract, develop and retain people has become a key competitive advantage. Tracking metrics such as safety track record, employee training, or turnover are part of our investment and monitoring process.

At the portfolio level, we also collect our investee companies’ commitment to advancing the UN Social Development Goals. The lack of data availability prevents us from effectively measuring progress towards these goals, but we can see which goals are given priorities.

### Environmental footprint

We track our investee companies’ impact along three dimensions: air, water, and biodiversity, on both an absolute and intensity basis. There is no perfect and practical way to normalize a company’s environmental footprint. We use revenues in a common currency while being aware of major deficiencies of such measure, including commodity prices volatility.

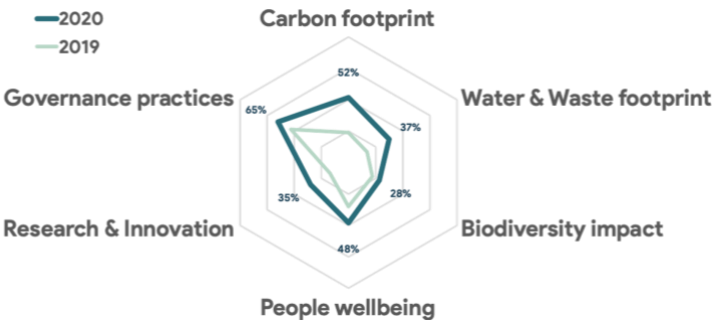
### Governance practices

Commitment and policies can go a long way. But key strategic decisions are made by people, hence with inherent biases. This is what we mean when we say “people trump structure”. Many metrics used to assess independence and expertise are easy to track, such as gender diversity on the board. Yet, they often fail to tell the true story about an organization. We dig deeper in order to understand how stated values spread across the entire organization: hiring, contracting, and selling practices are all a reflection of leadership.

### Research & Innovation

Capital interdependencies are becoming more evident by the day. Human capital shortage means lower intellectual capital formation, while natural capital, such as minerals, can slow down manufacturing capital buildup. Organizations that can manage all key sources of capital enjoy a lasting sustainable advantage. This is what we aim to measure when we analyze an organization’s innovation governance.

Portfolio Impact Score (100=best)



Portfolio exposure to UN SDGs





## OUR OPERATIONS

### People wellbeing

Our board and executive team are comprised of 50% male, 50% female. Our human resource policy highlights our commitments towards our employees, applying our core four values in hiring, training, and career development activities. We encourage collaboration, equity at all levels, community involvement and incentivize sound use of all resources.

### Environmental footprint

Our operations are located in Québec, Canada. Québec stands out as one of the most progressive subnational, having established a carbon cap and trade (C&T) system for greenhouse gas emissions in 2013. A member of the Western Climate Initiative (WCI) since 2008, Québec has agreed to allocate all the proceeds from the sale of GHG emission units to the Electrification and Climate Change Fund (ECCF). About 95% of all electricity generated in Québec comes from hydroelectric stations.

In 2020, 54% of the energy consumed by our operations came from renewable energy, with the balance derived from natural gas. We expect the current mix of fuel sources to vary as we grow. Given the travel ban and stay at home order, our business travel was totally halted.

We are currently establishing a process to calculate our GHG emissions which will be part of our 2021 Sustainability report.

### Governance practices

Rewards can take many forms and we strive to align everyone’s actions to our corporate goals so each of us can contribute to our clients’ success

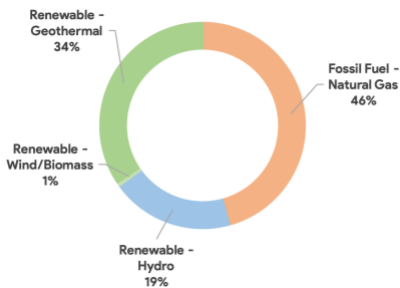
In order to stay current, and satisfy our regulators and professional organizations, executives, directors, and employees are subject to minimum training requirements on key topics including compliance, ethics, and sustainability. For the fiscal year 2021, 100% of our work force achieved the minimum hours of training in each key category.

### Research & Innovation: Borealis LAB

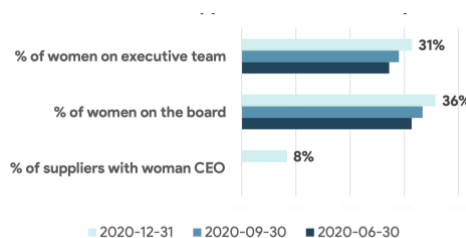
We aim to invest time and money in R&D, in order to continuously improve our processes, maintain best practices and make good use of technology advances. Given our size, it is crucial to reach out to larger organizations such as universities or alike minded organizations. Our collaboration with academics and working groups also allows us to share knowledge about responsible investing, in line with our commitment to the UNPRI principles.

Current projects include processes and behavioral biases, unstructured data processing, and multi-horizon numerical models. Our goal for FY2022 is to advance a minimum of 2 projects.

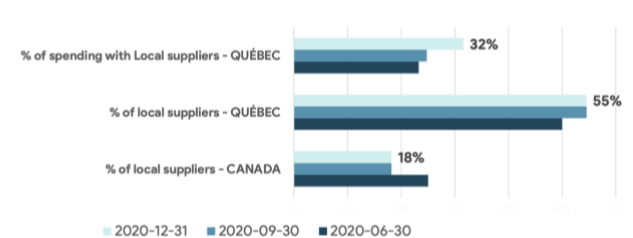
Energy consumed by our operations



Suppliers gender diversity



Doing business with local suppliers





Category	Topic	Metric	FY2021 - Actual Baseline	FY2026 - Goal Target year
Climate change	Carbon emissions	Borealis GAM - Total tCO2e emissions – Scope 1	n/a <sup>1</sup>	20% reduction
		Borealis GAM - Total tCO2e emissions – Scope 2	n/a	20% reduction
		Borealis GAM - Total tCO2e emissions – Scope 3	n/a	n/a
		Borealis GAM – Carbon offsets	n/a	20%
		Client Portfolios - Total tCO2e emissions – Scope 1		20% reduction
		Client Portfolios - Total tCO2e emissions – Scope 2		20% reduction
		Client Portfolios - Total tCO2e emissions – Scope 3	n/a	n/a
		Client Portfolios - CO2e intensity vs. benchmark		20% < benchmark
		Client Portfolios – Carbon offsets		50%
Biodiversity	Waste	Borealis GAM – Total Paper use		20% reduction
		Borealis GAM – Plastic use		
		Client Portfolios – Total Water use		
		Client Portfolios – Total Water intensity vs. benchmark		20% < benchmark
		Client Portfolios – Total Waste		
People wellbeing	Workforce Diversity	Borealis GAM - Employee Gender diversity	50%	30-70% <sup>2</sup>
		Client Portfolios - Employee Gender diversity		30-70%
		Borealis GAM - Board Gender diversity	50%	53-70%
		Client Portfolios - Board Gender diversity		30-50%
	Community strength	Borealis GAM - Total volunteer hours per employee	20 hours	50 hours <sup>3</sup>
		Client Portfolios - Total volunteer hours per employee		
		Borealis GAM - % of spending with local suppliers	32%	30-40%
Governance and business practices	Tax fairness	Client Portfolios – Effective/statutory tax ratio		> 50%
		Client Portfolios - Tax rate vs. benchmark		> benchmark
		Client Portfolios - % of assets in high corruption countries <sup>4</sup>		0%
		Client Portfolios – Pay Equity ratio <sup>5</sup>		
		Client Portfolios – Pay Equity ratio vs. benchmark		< benchmark
Business innovation	Knowledge building	Borealis GAM – Average Training hours per employee	10	20
		Client Portfolios - Training hours per employee	10	20
		Borealis GAM - R&D spending rate		10%
		Client Portfolios - Weighted average R&D spending rate	5%	10%

<sup>1</sup> n/a: data not available

<sup>2</sup> Our goal is to maintain equity. However, given our size the equity ratio might fluctuate between 25% and 75% over the next 5 years.

<sup>3</sup> Our community involvement may take many forms, from volunteer board or committee, free consulting, volunteer work in community-based organizations or large NGOs.

<sup>4</sup> As per the Corruption Perception Index published by Transparency International

<sup>5</sup> CEO total compensation to median employee

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