

**Dynamic<sup>®</sup>**

# 2025 Stewardship Report

(2024 Activities)





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## A message from our President, Dynamic Funds

At Dynamic<sup>1</sup> we strive to enrich clients' financial futures with investment solutions, delivered in partnership with comprehensive wealth advice. We continue to actively engage on Environmental, Social, and Governance (ESG) issues to deliver long-term value to our clients.



The only constant is change. This past year we witnessed ongoing regulatory changes, climate change-related legal challenges, heightened focus on many ESG themes, and significant geopolitical concerns. Against this backdrop, we remained steadfast in our focus on ESG-related issues to best serve our clients' goals and advance change. These are some of our activities and achievements over the past year in four key areas

- **Companies** – We continued to leverage our active management research capabilities and scale to actively engage with the management teams of companies across multiple industries on a variety of themes
- **Culture** – At Dynamic and in our business, we continued to focus on attracting, retaining, and developing talent in Canada. For example, as a Benefactor Sponsor of Ivey Business School's Women in Asset Management Program at Western University in Canada, the Investment Team welcomed seven more women interns again this summer, providing them with the skills and knowledge for a future career in our industry (learn more on **page 22**). We also continued with ongoing internal programs in Canada, such as an Analyst Rotation Program and the Expedition Program (**page 23**).

- **Commitment** – The Investment Team for Dynamic committed to understanding investment considerations that support Indigenous Peoples – and spent the year facilitating Indigenous-led and Indigenous-designed training for Investment Teams and awareness building. We look forward to updating you in next year's report
- **Advocacy** – The regulatory environment has continued to change this year, and we continue to embrace it as we recognize what we do has a significant impact on the financial futures of our clients. We discuss and advocate for issues that are important for our industry and our clients to help shape policy in the right direction.

As stewards of our clients' capital, we take a thoughtful approach to the consideration of ESG factors in the industry. Throughout our investment processes, we aim to deliver well-built solutions that can help meet our clients' goals and expectations.

We are committed to making strides on ESG issues in the upcoming year with diligence, deliberation and transparency.

**Neal Kerr** (he/him)  
President, Dynamic Funds

<sup>1</sup> Through our registrant 1832 Asset Management L.P.

## Firm overview

Dynamic Funds, and its affiliates offer investment solutions designed to meet the needs of our clients across all levels of wealth in Canada.

To do this, our multi-disciplined Investment Teams draw on decades of portfolio management experience and firmly held principles to deliver high-conviction investment management that is supported by a robust risk management framework.

We are held to strict regulatory standards in the markets in which we operate. Our portfolio managers have a fiduciary responsibility to act with care, honesty and in the best interest of the funds they manage. We provide our clients with important recurring information regarding our investment solutions, and, where required, we gain their approval before making any fundamental changes to our investment objectives.

Dynamic and its affiliates offer a wide range of choice, and are wholly committed to enriching our clients' futures with outstanding investment solutions delivered in partnership with comprehensive advice. For over 65 years, we have continued to evolve to best steward our clients' assets so they can reach their financial goals.



**70B+**

in AUM<sup>2</sup>



**110**

investment  
professionals<sup>3</sup>



**65**

distribution  
channels<sup>4</sup>



**140+**

Investment solutions<sup>5</sup>

All numbers reported as at December 31, 2024

<sup>2</sup> Assets Under Management (AUM) represents assets managed by Dynamic on a discretionary basis and in respect of which the Bank earns investment management fees. AUM are beneficially owned by clients and are therefore not reported on the Bank's Consolidated Statement of Financial Position.

<sup>3</sup> Investment professionals includes registered individuals employed by Dynamic and its affiliates.

<sup>4</sup> Distribution channels represents different types of financial intermediaries through which Dynamic makes its investment solutions available.

<sup>5</sup> The number of investment solutions Dynamic offers.



# Our approach to responsible investment

Dynamic Funds places the highest priority on the stewardship of our clients' assets.

As active investment managers, we consider ESG factors, where relevant, and conduct deep proprietary research with active involvement from our portfolio managers and research analysts. We employ a thorough approach to risks and opportunities with dedicated support from our ESG Investment Committee.

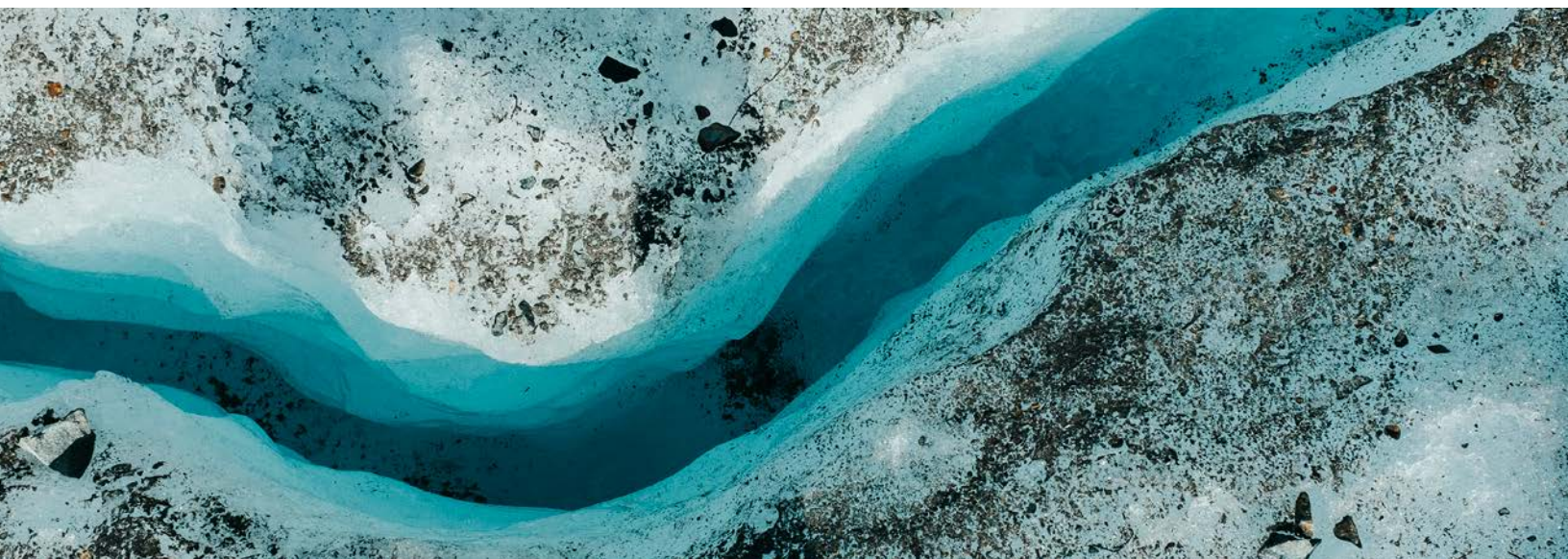
It is important to offer clients choice, and Dynamic offers a range of investment products. Our products span mandates with investment objectives that focus solely on risk and return as well as investment products that incorporate ESG-focused considerations into the investment objective alongside risk and return.

Given the strengths of our Investment Team, our products are, for the most part, internally managed active mandates.<sup>6</sup> We believe that successful fundamental investing requires the consideration of relevant financial and non-financial factors.

Change is constant. It is important for companies to adapt to new governance and operational norms. Where appropriate, our Investment Team engages closely with companies to encourage progress, which assists the team in identifying the potential leaders of tomorrow.

For example, the team may consider securities of companies with characteristics such as:

- Governance structures that support longevity and seek consistent results;
- Sustainable operations aligned to environmental regulations; and
- Socially diverse and inclusive standards that drive customer, employee, and community value.



<sup>6</sup> For our active mandates, we are referring to mandates actively managed internally by the 1832 Investment Team, as opposed to those mandates that are passive and/or sub-advised externally.



## Dedicated ESG investment committee

The Investment Team has a dedicated ESG Investment Committee that meets monthly to provide oversight and guidance on all our ESG initiatives.

This committee is comprised of members from our Executive Team, portfolio managers and members from the Investment Risk Team, Compliance, and other areas of the business.

Reporting directly to the Board of Directors, the ESG Investment Committee:

- Evaluates ESG-related policies and guidelines;
- Supports the consideration of ESG factors in investment processes;
- Reviews potential ESG-related investment products;
- Provides oversight of commitments to align with industry initiatives;
- Facilitates knowledge sharing across Investment Teams; and
- Communicates externally on firm-wide ESG efforts.

**“Trust and integrity are paramount in our industry. Our guiding principle from the very beginning for our approach to ESG was to be authentic and transparent with our stakeholders. We have sought to ensure that any reporting on ESG or external commitments accurately reflects our investing activities and how we manage our clients’ capital.”**

**Daniel Yungblut** (he/him)

Head of Research and Chair of the ESG Investment Committee

## Internal governance of our ESG approach

We have implemented multiple layers of review and quality assurance on ESG considerations, and also on any reporting or external communication with our stakeholders.

Our ESG Investment Committee includes senior members from each of our Investment Teams and key oversight personnel. The ESG Investment Committee helps share best practices on the consideration of ESG factors across our Investment Teams.

Our formal oversight process includes quarterly reviews by our Oversight Committee to ensure that our portfolio managers are adhering to the investment processes and appropriately considering relevant factors in their investment decisions, including ESG factors where relevant.

The ESG factors considered in a mandate's investment process and the extent to which they are considered, if at all, depend on a mandate's particular investment objectives and strategies.

Mandates that do not incorporate ESG considerations into their investment objectives or primary investment strategies do not seek to achieve any ESG-related outcome or attributes at the security or portfolio level, and do not make any commitments regarding the ESG-related attributes at the security or portfolio level. For those mandates that do not incorporate ESG considerations into their investment objectives, ESG factors are considered, when deemed material, alongside many other factors, through the lens of how they could impact the investment objectives of each fund.

For our ESG-focused mandates, which incorporate ESG factors into their investment objectives, those specific ESG factors are relevant for most investment decisions.

Our ESG Investment Committee's direct understanding of our investment processes puts it in an appropriate position to review and approve our external ESG-related representations to stakeholders.

The Investment Team has a Restricted Securities Policy, which applies to all Dynamic mandates, and is driven by risk management considerations. The intention of this Policy, which can evolve as circumstances change, is to ensure there are controls in place to restrict and monitor investments in certain securities. The Restricted Securities Policy is not intended to ensure ESG-related alignment in investment portfolios but may sometimes encompass ESG-related considerations.

### ESG-focused mandates

In addition to the above governance processes, we recognize there are heightened requirements for our ESG-focused mandates, which incorporate ESG-related considerations into their investment objectives. Investors in those mandates rightly expect us to ensure that those ESG-related commitments are met.

The exact governance process for ESG considerations can vary slightly for each of our ESG-focused mandates; however, we can outline the general structure. For each ESG-focused mandate, a list of issuers (either an approved list or exclusionary list of issuers depending on the mandate) is created. This helps ensure that any companies purchased for any given mandate have incorporated the ESG-related objectives and strategies of that mandate.

In addition, at its regular monthly meetings, the ESG Investment Committee reviews those lists of issuers to ensure that all of the companies on each list are consistent with the parameters of the mandate and with reasonable investor expectations. If the ESG Investment Committee has questions about any holdings, the Chair of the Committee and the Senior Vice President and Head, Investment Management, follow up with the portfolio managers involved in the mandate in a timely manner.

Appropriate action is taken, which could include engagement or divestment of specific securities.



## Active engagement: case studies

At Dynamic, engagement is a key pillar of our active investment process, and our approach has remained consistent over time. We use our access to management teams to actively engage on a variety of issues and themes. We generally prefer to engage with companies on issues and support ongoing improvement, rather than exclude entire sectors.

Meeting with company management teams and other stakeholders is a hallmark of our active, fundamental investment process. We firmly believe we must consider issues material to the investment decision, including ESG-related issues, where relevant, as part of our fiduciary duty. With an increasing focus on ESG factors in the industry, we now explicitly label certain issues as ESG in our process.

We view our research, engagement, and proxy voting activities as key pillars of a comprehensive active investment process. None of these pillars functions in isolation because of concerns that the depth and effectiveness of our engagement could be diminished.

Our investment professionals know companies best, meet with executive teams, and are well positioned to effectively engage with stakeholders and actively vote proxies. Through our engagement, we encourage companies to anticipate the impact any environmental and social issues may have on their competitive landscape through innovation and targeted capital spending.

Our engagement approach in 2024 can be highlighted by a diverse group of examples along the themes of sustainability and key aspects of the energy transition towards lower emissions.

### Climate Engagement Canada

Our engagement activities include direct meetings with companies as part of our investment process, and our meetings with companies as part of joint initiatives such as Climate Engagement Canada (CEC). We are a founding member of CEC, a collaboration between institutional investors representing approximately \$7 trillion of AUM<sup>7</sup> to jointly work with issuers to make progress on climate-related challenges. 2024 was the third year that CEC members began engaging directly with issuers, and it was a busy year.

<sup>7</sup> As of August 2024.







In 2024, the CEC released benchmarking of key companies along 10 different metrics, which provided context and a reference to guide our engagements this year. We co-led the CEC group that engaged with an operator of convenience stores and gas stations, a potash producer and a utility company, while we also participated in two more joint engagements with a pipeline company and an infrastructure company.

We have sought to set a constructive tone in our engagements with the CEC and when working with companies to make tangible progress on climate-related issues that we believe pose long-term risk to their core business activities and financial performance. We pursue CEC engagements in parallel with our core investment engagement meetings, which offers the opportunity to have a more focused discussion on climate issues. While we may not agree with every viewpoint of the other CEC participants, we have found constructive ways to work with our CEC partners to encourage issuers to take key issues seriously.

### **Gas station operator**

In 2024, we had many constructive discussions with a gas station and convenience store operator. We recognized the company for making significant progress on disclosures for Scope 1, 2, and 3 greenhouse gas (GHG) emissions, climate risk assessment, and implementing a new governance framework with formal oversight of the climate-related aspects of the company's strategy. Scope 1 emissions are direct from operating sources owned and controlled by the company. Scope 2 emissions are indirect from energy purchased from third parties. Our view is that the company primarily has influence over Scope 1 and 2 emissions, so we encouraged the company to focus any reduction targets or efforts there.

We expressed to the company that, while ongoing improvements to Scope 3 GHG emissions disclosures are welcome, we consider it important to take a reasonable approach on targets and focus on what they can control. Scope 3 emissions are indirect across its value chain, which for a gas station operator most importantly includes emissions from vehicles that third parties drive. Gas station operators cannot control what vehicles people drive, and it is crucial for the economy that fuel for internal combustion engines continues to be provided while they are still on the road. We believe demand should drive the mix of fuel types the gas station operator sells, otherwise their business fundamentals could be impaired.

It is within a gas station operator's control to build infrastructure to charge electric vehicles throughout their locations. As electric vehicles become a more significant portion of the vehicles on the road, the company could benefit financially while simultaneously improving their Scope 3 GHG emissions.

We encouraged the company to continue to expand their pilot projects on charging stations and to establish a revenue model for monetizing the charging stations they build. They are considering a subscription model or a per watt charge model. Another key point of discussion concerned how carbon credits factor into the company's disclosure regarding Scope 1 and 2 emissions, as certain low quality carbon credits could support misleading claims on emissions.



### Potash producer

We continued our engagement with the management team of a fertilizer producer in 2024. We encouraged them to maintain their sustainability approach in a thoughtful way, as they refreshed their strategy and responsibilities on climate initiatives in 2024. The refresh included establishing a dedicated climate change team that will provide input into capital allocation and strategy. The company made significant progress on Scope 3 GHG emissions reporting capabilities, which has been a key point of discussion in the past few years.

The company has a promising program to help farmers with sustainable farming practices, such as low tillage farming along with water and biodiversity considerations, but it is evolving slowly. We reiterated that it is important to continue to ramp up the program, especially considering that certain farming practices can actually help sequester carbon.

In terms of direct operations and Scope 1 and 2 GHG emissions, the company continues to make progress on reducing emissions intensity of its nitrogen fertilizer production. They are delayed in achieving their goals on emissions reduction, but we have gained confidence that they will continue to work towards meeting them. We will continue to support the company on its low carbon 'green' nitrogen and 'green' ammonia initiatives as important for their decarbonization efforts, but we will have to be patient. For the foreseeable future, costs are prohibitive for farmers to use 'green nitrogen'. The company's large multi-billion-dollar project to produce low carbon ammonia was put on hold because it was not confident the project could generate reasonable economic returns until offtake agreements that provided guaranteed revenue could be secured.



## Industrial companies

The Industrial sector covers a large breadth of businesses involved in the manufacturing or distribution of capital goods, transportation services, or the provision of commercial services and supplies. Our funds have material exposure to industrial companies across the capital structure. When we meet with management teams of industrial companies, we often discuss how their businesses are adapting or positioning themselves to benefit from the transition to lower emission intensity.

Our discussion with a large international conglomerate this year focused on new product developments across their business segments that support sustainability or improved efficiency for end consumers. We encouraged those sustainability efforts, as they align with strong shareholder returns from business growth and believe these innovations can deliver.

A new segment called 'Sustainable Technology Solutions' is exploring sustainable aviation fuel, lower carbon blue hydrogen that is produced using natural gas and green hydrogen that is produced using renewable power, battery storage solutions, and plastics recycling enhancements.

The latter aligns with our ongoing engagement with waste management companies to support their build out of recycling infrastructure. If current trends continue, our investors should be well served by providing this industrial conglomerate with further capital to continue these product development initiatives.

Engineering firms are gaining more attention for investment and engagement. The increasing frequency and severity of weather-related events that damage critical infrastructure are driving increased demand. We continue to seek opportunities to provide capital to firms to enable design innovations that improve resiliency and prepare infrastructure for severe weather events. We provided a consistent message to multiple engineering firms this year – we support their investments in the expertise that is required to continue to win business in resiliency and sustainability-related projects.



# Engagement with policymakers and regulators

## Consultation on sustainability disclosure standards

Efforts have been made internationally and now in Canada to standardize investor-focused sustainability-related disclosures – and Dynamic believes it is a strategic imperative to provide consultation on shaping the disclosures throughout the process.

In June 2023, the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB), issued its inaugural Sustainability Disclosure Standards, which provide a common voluntary reporting framework for all public reporting issuers globally.

The Investment Team provided detailed feedback during every comment period over the past several years for both IFRS S1 (sustainability-related) and IFRS S2 (climate-related) disclosure standards. While the previous patchwork of methodologies created confusion and frustration for both investors and issuers alike, we hope the new standards will improve market transparency and support more informed investment decisions.

The Canadian Sustainability Standards Board (CSSB) was subsequently created to develop sustainability reporting standards, aligned to the voluntary and non-binding IFRS standards with a few subtle country-specific modifications. In May 2024, The Investment Team contributed to the feedback survey for the CSSB's proposed disclosure standards: CSDS 1 (sustainability-related financial information) and CSDS 2 (climate-related disclosure). It is expected CSDS 1 and CSDS 2 could influence Canadian regulators when developing legally binding sustainability reporting obligations in the future.

Our feedback to the ISSB and CSSB has emphasized that the benefit of more uniform disclosure and transparency for investors must be balanced against the potential for significant new reporting burdens on issuers. A misallocation of resources will result if the reporting information required under the standards is of limited use to the primary users of financial statements (investors, lenders, and other creditors) but creates significant costs for issuers. Generally, we think that the standards created achieve an appropriate balance.

Our feedback to the CSSB was consistent with what we provided to the ISSB. We agreed with CSSB's proposal to adopt IFRS S1 and IFRS S2 standards with few modifications. One of the crucial considerations for us was how the CSSB defined the purpose of the standards and the key stakeholders the standards are meant to serve. We are pleased that the CSSB maintained that the purpose of the reporting standards is to assist primary users of financial statements. We believe that focusing on the needs of primary users of financial statements is essential because it sets the materiality threshold for what needs to be disclosed. We were comfortable that the CSSB set the materiality threshold as all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to financing or cost of capital over the short, medium or long term.

We suggested a longer phase-in period for CSDS 1 and CSDS 2 for smaller issuers as we believe they will need more time to prepare, given they have fewer resources to build out new reporting infrastructure. We also expressed concern that the CSSB reserved the ability to amend the ISSB standards where it believes amendments are required to serve the Canadian 'public interest'. We still have outstanding concerns that the term 'public interest' remains vague and leaves open the possibility that amendments could be made to the standards that serve political purposes, rather than the needs of primary users of financial statements. Amendments that go beyond the needs of primary users of financial statements and that impact the materiality threshold could create unnecessary confusion for both issuers and investors. Dynamic also recommended that the CSSB include a robust safe harbour provision for issuers regarding forward-looking disclosure requirements, so issuers can't be held liable on estimates or guidance if the future factors do not evolve as expected.



## Consultation on Principles for Responsible Investment

In May 2024, we participated in the UN PRI strategy consultation. The Principles for Responsible Investment (PRI) is a UN-supported network of investors who are working to promote sustainable investment, to ensure that its structure and approach remain relevant, and to add value for its signatories and stakeholders. We have found PRI to be responsive to signatory concerns and feedback since we joined in 2018. We have had concerns over the years about the alignment of PRI with asset managers, regions outside of Europe and to different approaches to responsible investing. However, the proposed updated strategy was constructive and, in our assessment, largely addressed our concerns.

The most substantive and positive proposal in the new UN PRI strategy is the creation of three different 'pathways' that signatories could self-select – spanning from targeting the incorporation of ESG factors to targeting specific impact outcomes. The pathways resolved our prior concern that the PRI annual assessments previously pushed signatories to adopt the practices of activist European pension funds and suggested that there was only one right approach to responsible investing.

This new strategy recognizes and supports different approaches, while retaining the six core principles that all signatories agree to support when they join. With the new pathways approach, we can receive feedback and benchmark against the peer group that we believe is most relevant to us. The UN PRI can now support us as we make progress on our own targets and goals, rather than pushing us to adopt behaviours that do not align with our strategy.

The other key element of the new PRI strategy that we support is the focus on enhancing regional ecosystems that can strengthen engagement and further responsible investing initiatives along local priorities and perspectives.



## 2024 Regulatory Overview: Timeline of Key Updates

2024 Regulation Update	Description	Date of Implementation	Impact
Office of the Superintendent of Financial Institutions (OSFI) – Guideline B-15 Climate-Related Risk Reporting	The Office of the Superintendent of Financial Institutions (OSFI) in Canada set annual reporting requirements for the B-15 Guidelines for Climate Risk Management. These were developed to establish standard reporting expectations for federally regulated financial institutions regarding the management of our climate-related risks.	End of the 2024 fiscal reporting	At Dynamic, the Investment Team is subject to providing climate-related reports. In preparation for the reporting requirements, we have developed carbon emissions intensity reports for our investment holdings.
Canadian Sustainability Standards Board (CSSB) – CSDS 1 and CSDS 2 disclosures	The Canadian Sustainability Standards Board (CSSB) developed Canadian Sustainability Disclosure Standards that are aligned with the International Financial Reporting Standards (IFRS). The standards were developed for companies to report on their sustainability and climate-related activities. Canadian Sustainability Disclosure Standards 1 (CSDS 1) are the General Requirements for Disclosure of Sustainability-related Financial Information, and the CSDS 2 focuses on climate-related disclosures.	CSSD 1: Final Standard voluntary reporting January 1, 2025, with 2-year implementation relief  CSSD 2: Final Standard voluntary reporting January 1, 2025 with 3-year implementation relief	The implementation of Canadian Sustainability Standards Board disclosure reporting is a requirement that affects the companies we invest in. We are actively preparing ourselves for the standardized reporting requirements. As active investment managers, we engage with the companies we invest in to maintain their forward-looking preparation.



## Proxy voting analysis and disclosure

Proxy voting is a key part of our fiduciary duty and an important component of active engagement with companies. Our portfolio managers vote proxies to serve the best interests of our clients. Dynamic has hundreds of mandates in order to effectively serve a breadth of investors across retail, institutional, and other distribution channels.

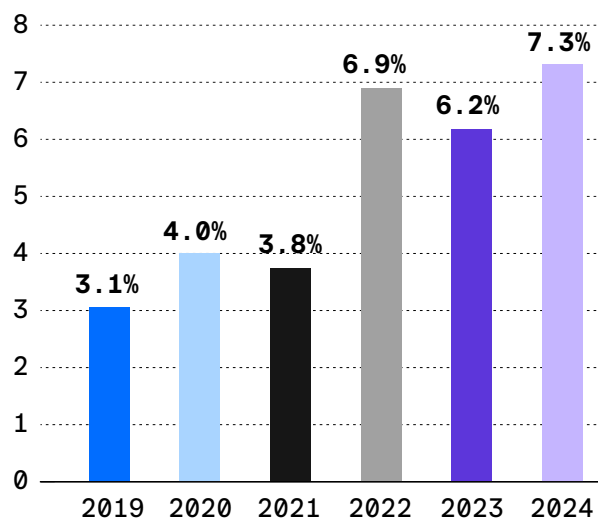
Dynamic's Investment Team generally does not impose a top-down firm-level view on proxy votes. As with investment research, we do not believe proxy voting can be separated as a function distinct from our Investment Team's research processes without impairing the effectiveness of our management engagement and our overall fundamental investment process.

Appropriate consideration of each proxy vote is essential to fulfilling our fiduciary duty to clients. Proxy votes are analyzed on a case-by-case basis. Voting decisions (for or against) are based on the merits of the proposal, whether it has been brought forward by management or shareholders.

Dynamic's Investment Team supports constructive action on environmental and social issues. However, there can be reasons to vote for or against proposals on environmental and social issues where we believe that the proposal is not aligned with the best interests of our clients. Proxy votes are only one tool in the engagement process and may not reflect broader conversations on a topic.

We update our proxy voting disclosures on a semi-annual basis. To see Dynamic's Proxy Voting Dashboard, **[please visit the website](#)** of our registrant, 1832 Asset Management L.P.

Percentage of ESG Votes to Total Votes (2019-2024)



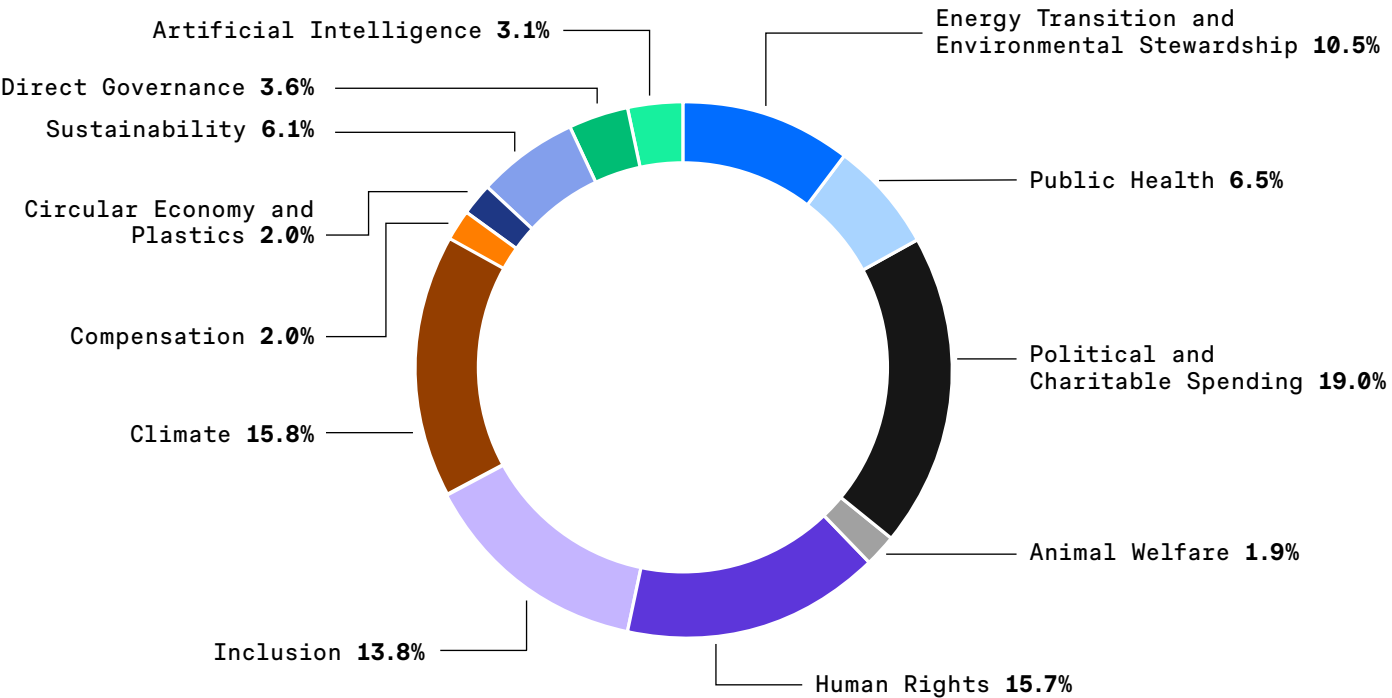
## Environmental and social-related proxy voting record

As Environmental and Social (E&S) issues continue to become more prominent, in our experience, proxy votes dealing with these issues are occurring with greater frequency. In general, all proxy votes deal with governance issues, so the biggest evolution is for proxy votes that deal specifically with E&S issues. Dynamic's portfolio managers assess E&S-related proxy votes within the context of their overall investment process and act in the best interests of our investment funds. E&S votes cover a wide range of issues that are important for the strategic direction of businesses.

Issue	E&S votes	% E&S votes by issue	Votes with management	% E&S votes with management	Votes against management and abstain	% Votes against management and abstain
Energy Transition and Environmental Stewardship	1,082	17.60%	1,081	99.91%	1	0.09%
Public Health	258	4.20%	258	100.00%	0	0.00%
Political and Charitable Spending	852	13.80%	850	99.77%	2	0.23%
Animal Welfare	123	2.00%	122	99.19%	1	0.81%
Human Rights	716	11.60%	705	98.46%	11	1.54%
Diversity, Equity, & Inclusion	731	11.90%	727	99.45%	4	0.55%
Direct Action on Climate	548	8.90%	548	100.00%	0	0.00%
Labour and Compensation	447	7.30%	445	99.55%	2	0.45%
Circular Economy and Plastics	173	2.80%	173	100.00%	0	0.00%
Sustainability	282	4.60%	281	99.65%	1	0.35%
Direct Governance	545	8.80%	541	99.27%	4	0.73%
Artificial Intelligence Related	407	6.60%	401	98.53%	6	1.47%
<b>Total</b>	<b>6,164</b>		<b>6,132</b>	<b>99.48%</b>	<b>32</b>	<b>0.52%</b>



2024 E&S proxy votes by issue



## Proxy voting case studies

### Case Study #1

**Type of company:** Technology Company

**Issue at stake:** Report on Child Safety and Harm Reduction

**Details of vote:** Shareholder Proposal to adopt targets evaluating YouTube child safety policies

**Voting decision:** Voted in support of the shareholder proposal

**Voting result:** Against

**Rationale:** Alphabet has faced a significant fine by the Federal Trade Commission for illegal harvesting of children's data that has been linked to serious child harms. Additional disclosure will provide shareholders with important information on the extent of the company's initiatives to manage the risks.

### Case Study #2

**Type of company:** Technology Company

**Issue at stake:** Misinformation produced by Generative Artificial Intelligence

**Details of vote:** Shareholder proposal to request company to produce a report outlining how the company is managing risks related to misinformation produced by its use of generative artificial intelligence

**Voting decision:** Voted in support of the shareholder proposal

**Voting result:** Against

**Rationale:** Meta's recent development of products such as conversational assistants and advertising tools have the capability to generate fictional responses and exacerbate stereotypes that it learns from training. There could be significant legal, financial, and reputational risks related to the misinformation and additional disclosure would be beneficial to shareholders.

### Case Study #3

**Type of company:** Restaurant owner and operator

**Issue at stake:** Plastic waste in restaurants

**Details of vote:** Shareholder proposal to require company to disclose how it will reduce the use of plastics in its restaurants

**Voting decision:** Voted for the shareholder proposal

**Voting result:** Against

**Rationale:** Many of the company's peers have adopted plans and targets for reducing plastics use; however, the company has so far resisted adopting any initiatives and risks falling behind industry best practice. The company's response said the report would be redundant, but their current disclosures focus only on ocean plastic pollution. A more general report could provide shareholders with important information on how the company is managing related risks.

## Proxy voting case studies

### Case Study #4

**Type of company:** Oil and Gas Producer

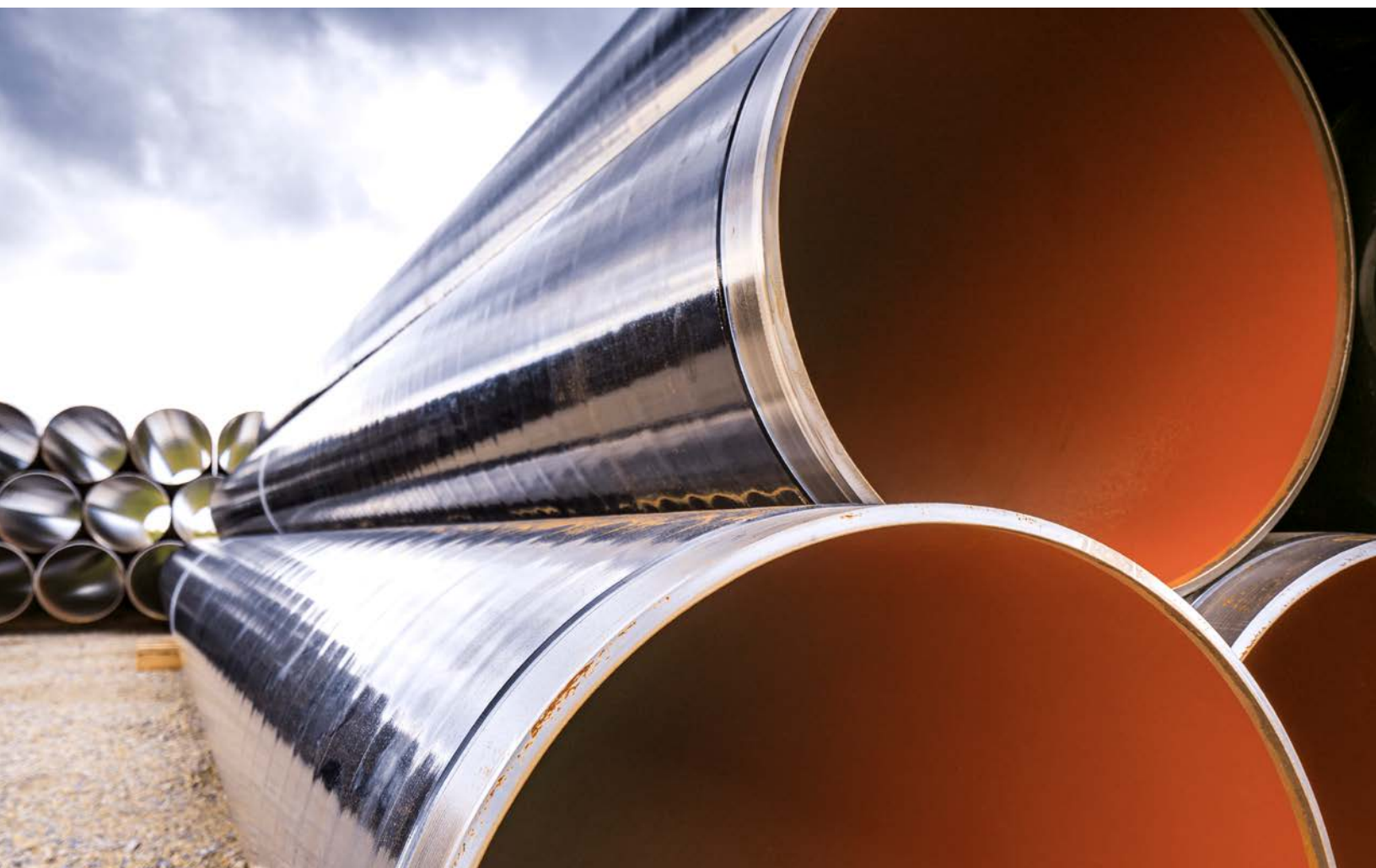
**Issue at stake:** Energy transition

**Details of vote:** Company seeking shareholder support for its energy transition plan

**Voting decision:** Voted for the proposal

**Voting result:** For

**Rationale:** The company's transition plan is reasonable, comprehensive, and finds the appropriate balance between different imperatives. The plan provides improved disclosures and aligns management incentives with key components of the plan. The plan should support long-term shareholder value.



# ESG investment solutions for our diverse clients’ needs

## ESG Products

Fund	Thematic <sup>8</sup>	Exclusionary <sup>9</sup>
Dynamic Funds		
Dynamic Sustainable Credit Fund	✓	
Dynamic Sustainable Equity Fund	✓	
Dynamic Active Energy Evolution ETF	✓	
Dynamic Energy Evolution Fund	✓	

<sup>8</sup> Thematic: products that select and allocate companies that fall under specific sustainability-related themes.  
<sup>9</sup> Exclusionary: products that apply filters to potential investments to exclude specific non-desired issuers or sectors.



# Dynamic Funds' suite of sustainable investment-focused solutions includes:

## Key investment themes for the Funds

Dynamic Sustainable Equity Fund and Dynamic Sustainable Credit Fund focus on five key sustainable investment themes that are derived from the United Nations Sustainable Development Goals.

- Sustainable energy generation
- Efficient consumption of energy
- Responsible consumption and waste management
- Sustainable industry, infrastructure and communities
- Good health and well-being



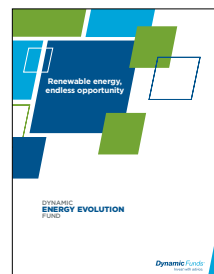
**Dynamic Sustainable Equity Fund** seeks to provide long-term capital growth from an actively managed and diversified portfolio of equities of companies that are engaged in the development of a sustainable economy.



**Dynamic Sustainable Credit Fund** seeks to provide income and the potential for capital appreciation from an actively managed and diversified portfolio of primarily North American investment-grade fixed income securities from issuers who are engaged in the development of a sustainable economy.



**Dynamic Active Energy Evolution ETF** seeks to provide exposure to the opportunities arising from the energy industry's secular shift away from traditional fossil fuels towards a more sustainable model focused on renewable energy sources.



**Dynamic Energy Evolution Fund** seeks to provide long-term capital appreciation and income primarily through investment in a diversified portfolio of companies involved in renewable energy or related activities from around the globe.

## Inclusion initiatives

Dynamic is committed to ongoing efforts to build a more diverse, equitable and inclusive workplace. We aspire to be Canada's leader in attracting, growing, and retaining talent, and creating an inclusive culture where employees can bring their authentic selves to work. In 2020, we issued a statement on inclusion that we proudly stand behind, and, in 2024, we further intensified our efforts toward inclusion in all key areas.

### Statement on inclusion

Dynamic recognizes that it has a responsibility to take a leadership role in the advancement of inclusion. Significant inequities exist both in Canada and globally. To address these inequities, we are committed to furthering our efforts – in the corporate culture we foster, in the communities in which we operate, and in the companies in which we invest.

We will focus, but not limit, our efforts on:

1. **Expanding our efforts internally to address barriers to entry** by adopting hiring practices in Canada that create and systematize a more diverse pool of candidates.
2. **Improving inclusion practices internally** in Canada by collecting and monitoring data, heightening awareness across the organization, and providing ongoing education opportunities.

3. **Expanding our reach to build and sustain a robust pool of diverse and inclusive professional talent** in Canada that engages employees throughout their career journey.
4. **Reviewing the diversity disclosures across the companies in which we invest** – as we recognize a connection between diversity and long-term company financial performance over time.

We commit to continually reviewing and evolving our approach to bring about a more inclusive investment landscape and community in Canada now – and in the future.

### Building an inclusive talent pool

Representation in the asset management industry continues to be an area of focus. For example, the representation of women on Investment Teams in Canada is 13.7%.<sup>10</sup> Dynamic Funds' Investment Team is markedly higher at 20%<sup>11</sup> – but we recognize there is still more work to be done to increase the representation of women and other equity-deserving groups through retaining the diverse talent we have and increasing representation across all groups in Canada.

Jim Morris, Senior Vice President and Head, Investment Management of 1832 Asset Management, has led a range of key initiatives to create and grow an inclusive talent pipeline in Canada. Jim spent the last three years partnering with Western University's Ivey Business School as a member of the Advisory Committee on the **Women in Asset Management Program**.

This program, aims to increase the representation of women in asset management in Canada with the goals of:

- informing women of the diverse asset management career options and enabling them to secure employment;
- increasing the number of women in the Canadian asset management industry; and
- building a network of women leaders in the industry that can mentor other women.

<sup>10</sup> Source: Mercer Insights; Diversity Dressing – Progress Evaluation, as at December 1, 2022.

<sup>11</sup> Source: 1832 Investment Team, as at November 2023.

In the summer of 2024, 1832 Asset Management welcomed its third cohort of women interns for a 10-week paid internship on the real-world experience of running money. The interns, who were placed on various Canadian Investment Teams, found the program inspiring and rewarding. Interest in pursuing a role in the industry peaked, including among those interns pursuing interdisciplinary studies.

1832 Asset Management strongly advocated for the Women in Asset Management Program to include participants from other universities, and in 2024, the program was extended nationwide.

Candidates who participate in the Women in Asset Management Program will be one stream considered for the in-house **Analyst Rotation Program** in Canada that Jim spearheaded in 2019 to hire highly qualified new graduates from equity-deserving groups. Participants undergo a two-year rotational training program with a range of Investment Teams before being offered full-time positions. The first group of analysts was placed as full-time analysts across our Investment Team and the program continued into 2024.

Jim has made it a priority to reach individuals at earlier stages in their lives as well. He has been an active supporter of **Trust 15**, a charitable organization that provides youth in the underserved neighbourhood of Rexdale/North Etobicoke in Ontario “with programs that promote and facilitate positive behaviour, creative expression, and cooperative working skills,” according to the charity.

Jim has led full-day annual mentorship sessions for many years in Dynamic’s downtown Toronto offices (and online during COVID-19) for at-risk high school students, bringing in executives from across the Bank in a range of fields to provide valuable education in finance, portfolio management, trading, law, marketing, and sales, ensuring a more inclusive influence in the Canadian asset management industry.

While the programs in place are contributing to a more inclusive playing field in Canada for future portfolio managers, traders and analysts, Jim recognizes there is more to be done to fulfil our responsibility to progress inclusion in Canada, which in turn will fuel our culture of diversity of thought and debate to help spur the best investment outcomes for clients.



**“My time with the Dynamic Investment Team as an AI and Quant Research Analyst has provided me a great opportunity to cultivate a robust skillset, lead the adoption of modern technological tools such as GenAI and deliver value to the business team. Collaborating with peers and senior leadership and solving problems together helped me build relationships that have been supportive in my professional journey. I’m excited to be working here and contributing to the spirit of innovation, leading to change in how investors generate returns for clients.”**

**Tanvi Gupta**

AI and Quantitative Research Analyst

**“After 13 months in the Dynamic rotation program, I can confidently say it is a highly rewarding experience that pushes you to reach your full potential. I developed essential technical and soft skills that established a strong foundation for my career as an investment analyst. The most valuable aspect was learning from some of the country’s top investment professionals, who provided consistent encouragement and support throughout the program.**

**Yulia Shin**

Rotation Analyst, Credit Research

**“The Women in Asset Management (WAM) program was a truly transformational experience, offering me invaluable mentorship within a supportive learning environment. The professional guidance and feedback I received helped me develop and apply my skills, making it an outstanding opportunity to learn and advance my understanding of finance. This experience expanded my knowledge, strengthened my presentation skills, and gave me the confidence to pursue a career in the industry.”**

**Grace Donald**

Women in Asset Management (WAM) intern, Credit Research



# Diversity disclosure industry analysis

Dynamic's Investment Team has continued its work on developing a comparative analysis of the diversity disclosures of the companies in which it invests. The initial focus in 2022 was on Canada's Big six banks and six large U.S banks and in 2023 the analysis was expanded to selected North American Consumer companies. Research continued in 2024, with year-over-year comparisons across North American banks and Consumer companies. As we continue our research in this area, we plan to expand to other additional North American sectors in 2025 and will report back on our findings in the next report.

We looked at both diverse representation across key metrics and analyzed HR initiatives as a proxy for culture and HR engagement on inclusion initiatives.

For the second consecutive year, research revealed that North American banks had a higher diverse representation across most key metrics assessed.

The **tables** below show a summary of the 2024 analysis conducted. We selected a subset of North American Consumer Staples companies based on our assessment on the comparability of their public disclosure.

## Board and Employee demographics representation

Metric	North American Banks Peer Average (Number)	North American Consumer Staples Peer Average (Number)
Women on Board of Directors	43	34
Women in Senior Management Roles	42	36
Women in Executive Roles	35	46
Equity-Deserving Groups in Senior Management Roles <sup>12</sup>	29	13
Equity-Deserving Groups in Executive Roles <sup>13</sup>	21	24

## HR initiatives (as a proxy to measure culture)

Metric	North American Banks Peer Average (Number)	North American Consumer Staples Peer Average (Number)
Women-Focused Initiatives	93	26
Equity-Deserving Groups Initiatives	105	77
Indigenous Initiatives	57	12
Talent Recruitment Programs Targeting Diverse Representation	17	26
Diversity-Focused Councils	10	12

As our Statement sets out, we are committed to furthering our inclusion efforts in all key aspects – in the corporate culture we foster, and in the companies in which we invest.

<sup>12</sup> Senior Management roles include Senior Manager, Departmental Head, Director and Vice President positions. Executive roles include Senior Vice President, Executive Vice President, C-suite and more senior positions.

<sup>13</sup> Equity-deserving groups include individuals that represent as Black, Latina, Asian, Multiracial, and Hispanic.



## Active engagement with key responsible investment organizations

Dynamic's Investment Team continues to take a leadership role in the industry by actively engaging with key responsible investment-focused organizations. These organizations help shape policy and influence capital markets to address a range of societal challenges. We are selective about the industry organizations we join to ensure high-quality engagement and that we are comfortable with the initiatives the organizations are pursuing.

*Signatory of:*



### **Principles for Responsible Investment (PRI)**

Signatory to the United Nations-backed PRI, one of the world's leading proponents of responsible investment. The PRI outlines key commitments for signatories to support the development of a more sustainable global financial system through the incorporation of ESG issues into investment decisions. Dynamic continues to be an active voice in the organization to help influence the strategic direction it follows in the future.



### **Canadian Coalition for Good Governance (CCGG)**

The CCGG is a prominent corporate governance organization in Canada, well positioned to effect change as an important voice of institutional shareholders investing in Canadian public equities. The CCGG provides guidance to Canadian companies regarding best practices to ensure effective communications with shareholders.

The Chair of Dynamic's ESG Investment Committee is a member of the Environmental and Social (E&S) Committee, created to provide best practice guidelines on E&S matters through a governance lens.



### **CFA Institute**

The CFA Institute provides the premier global investment designation, the CFA Charterholder program, and it is also one of the world's most influential voices in global capital markets. The CFA Institute has developed ESG disclosure standards for investment productions, which have helped provide a consistent framework to facilitate comparison of different investment products on their ESG-related attributes.



### **Climate Engagement Canada<sup>14</sup>**

A founding member of Climate Engagement Canada (CEC), a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net-zero economy.



### **International Financial Reporting Standards Foundation (IFRS Foundation)**

The IFRS Foundation is a not-for-profit corporation that sets global accounting standards for the financial statements of public companies, giving investors confidence that they can rely on financial statements to make informed investment decisions. The IFRS Foundation has developed a parallel set of sustainability-reporting standards to complement existing financial reporting rules. Dynamic Funds has engaged throughout the process with detailed feedback.



### **Responsible Investment Association (RIA)**

The RIA is focused on education, policy advocacy, and supporting the development and integrity of the industry. RIA members include asset managers, asset owners, advisors, and service providers who support the promotion of responsible investment in Canada's retail and institutional markets.

The Chair of Dynamic Funds' ESG Investment Committee joined the RIA's Leadership Council to help guide the strategic direction of RIA initiatives.

<sup>14</sup> Logo used with permission from CEC.



## Looking ahead

At Dynamic, we strive to enrich clients' financial futures with investment solutions, delivered in partnership with comprehensive wealth advice.

We consider ESG factors, where applicable, throughout our business to deliver long-term value to our clients. This includes active engagement with a wide range of stakeholders, deep in-house research, active involvement from our portfolio managers, dedicated oversight from our ESG Investment Committee, the launch of dedicated responsible investment solutions, and examining our own corporate social responsibility practices.

As we look ahead, we are dedicated to continual progress in all these areas – to best serve our clients' financial goals and the futures of those around us.



Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments, including ETFs. Please read the prospectus before investing. Mutual funds and ETFs are not guaranteed or insured by the Canada Deposit Insurance Corporation or any other government deposit insurer, their values change frequently and past performance may not be repeated. Distributions may consist of dividends, net realized capital gains, and/or return of capital. Distributions are not guaranteed, and investors should not confuse a fund's distribution yield with its performance or rate of return. The information provided is not intended to be investment advice. Investors should consult their own professional advisor for specific investment and/or tax advice tailored to their needs when planning to implement an investment strategy to ensure that individual circumstances are considered properly and action is taken based on the latest available information. Dynamic® is a registered trademark of The Bank of Nova Scotia, used under license.

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