

Dialogue to Action

Shareholder Engagement Report

Dialogue to Action details Vancity Investment Management Ltd.'s shareholder engagement activities for 2021/Q1 2022 and includes background information on how environmental, social and governance (ESG) issues affect shareholder value.



2021/Q1 2022 Engagement Activities

31

companies
engaged

11

shareholder
resolutions filed

14

UN Sustainable
Development Goals
(SDGs) advanced via
engagement activities

27

investor statements
of support, alliances
or initiatives joined



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Vancity Investment Management Ltd. (VCIM)

2021/Q1 2022 Shareholder Engagement Report

Established in 1995, Vancity Investment Management (VCIM) 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, finding new and innovative investment opportunities that meet rigorous ESG standards.

Last year was challenging, with Covid-19 variants prolonging the pandemic and extreme weather events wreaking havoc globally. This year is poised to be as difficult as 2021 with Russia's unprovoked war of aggression on Ukraine and lingering instability from the pandemic leading to a variety of impacts, including energy supply challenges, inflationary pressures and food security concerns. This tough environment continues to highlight how important ESG factors are to the longevity and financial viability of companies across all sectors – further validating VCIM's core philosophy, which is founded on the premise that a company's long-term financial success

depends on the ability to cultivate and maintain positive relationships with key stakeholders.

Companies do not operate in a vacuum; they rely on and benefit from operating in a healthy society where the concerns of all stakeholders are considered. Companies need a healthy environment, an inclusive society and strong governance structures to succeed and thrive in the long run. Shareholder engagement is one of the best tools to help drive this positive change and address the mounting environmental and social issues we face as a society. VCIM was active throughout the past year using the tools of shareholder engagement to urge companies to act on topical and longstanding issues, including human capital management, access to medicine, human rights, and climate change.

VCIM engaged on eight main topics: access to medicine; antimicrobial resistance; biodiversity; climate change; diversity, equity, inclusion and reconciliation (DEIR); governance; human rights; and labour relations and human capital management.

Over 2021 and through Q1 of 2022, VCIM engaged 31 companies in one or more of 20 key areas within the main topics areas: vaccine equity; insulin pricing and access strategies; anti-microbial resistance; chemical safety and disclosure; biodiversity dependency mapping; plastics regulation; valuing water; net-zero commitments; fossil fuel financing; climate disclosure; environmental justice; CEO-to-median worker pay ratio; pay transparency; forced labour in Xinjiang (XUAR); mining and Indigenous relations; digital rights; facial recognition technology; unionization; paid sick leave; and living wages.

VCIM filed 11 shareholder resolutions of which five were ultimately withdrawn following focused discussions and commitments made by decision-makers from each company. Six resolutions were brought forward to a vote at the following companies: JPMorgan Chase, TD Bank, RBC, CIBC, Nike, and CVS Health.

Over the most recent period, VCIM’s engagement activities helped advance 14 goals on the United Nations (UN) Agenda for Sustainable Development. In total, the Agenda includes 17 SDGs, which 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.

SUSTAINABLE DEVELOPMENT GOALS



Access to Medicine

Companies engaged: Novo Nordisk A/S



Access to affordable health care and medicine is essential to human progress and development. Medical breakthroughs in the 20th century have bolstered much of the economic development witnessed over this period. Before the polio vaccine, children were regularly paralyzed by the disease. The invention of antibiotics drastically lowered fatalities that previously resulted from infection and sepsis due to a simple cut. Poor levels of health are associated with lower savings rates, lower rates of return on capital and lower levels of domestic and foreign investment,¹ all factors that contribute to lower economic growth.

The Covid-19 pandemic highlighted how vital it is to ensure rapid and equitable distribution of vaccines. The vast majority of vaccines have been administered in high- and upper-middle-income countries. As of April 2022, while Canada managed to vaccinate 82% of its population, 19 countries have yet to fully vaccinate 10%¹ of their populations, the majority of them in Africa. Covid-19 continues to take its toll on some of the

world's poorest and most vulnerable people due to inadequate access to vaccines. Until access to vaccines is available to all globally, new variants of concern can appear and prolong the pandemic, as has been seen with the Omicron variant.

VCIM is a signatory to the Access to Medicine Foundation (ATMF), an independent non-profit organization that helps pharmaceutical companies do more for people living in low- and middle-income countries. VCIM signed the Global Investor Statement in Support of an Effective, Fair and Equitable Global Response to Covid-19 organized by ATMF to encourage governments and health care companies to promote innovative finance mechanisms along with cross-industry partnerships, equitable pricing strategies and voluntary licensing agreements to address issues related to Covid-19.

In addition, VCIM has joined a group of like-minded investors to sign a letter urging several pharmaceutical companies to integrate World Health Organization (WHO) goals for equitable access to Covid-19 vaccines into their executive remuneration strategy in a meaningful, material, measurable and transparent way.

While the pandemic has dominated global headlines the past couple years, it is not the only focus area where access to medicine is a concern. During the past several years, out-of-pocket costs for patients have risen as the cost of insulin increased, with some reports estimating that insulin has tripled in price over the past decade.² The current inflationary climate will further exacerbate the challenges to insulin affordability and access brought on by the pandemic.

As a member of the Investors for Opioid and Pharmaceutical Accountability (IOPA), VCIM engaged Novo Nordisk to discuss the company's efforts to improve pricing transparency and how it applies its principles. Further, we seek to understand the company's long-term plan to achieve the shared goal of ensuring the affordability, accessibility, and availability of insulin.



Antimicrobial Resistance (AMR)



AMR is a major health threat that experts have been warning about for years. AMR occurs when bacteria and other disease-causing microbes develop resistance to previously effective drugs (making them what is colloquially known as “superbugs”), rendering the standard treatment of infections impotent. In a world where AMR is prevalent, a single cut could lead to a fatal infection, an outcome that was common in the pre-antibiotic world.

How AMR develops is simple: the more bacteria are exposed to antibiotics, the more likely they are to develop mutations that prevent antibiotics from working. The development of AMR occurs across multiple avenues: improper patient usage, pharmaceutical runoff and agricultural uses. A wide range of medical procedures rely on effective antibiotic treatments, such as organ transplants, chemotherapy, caesarean sections, and dialysis for end-stage renal disease. Modern medicine is threatened by AMR because antibiotics form the backbone of our medical system. In the U.S., the Centers for Disease Control (CDC) estimates that AMR annually causes at least 2.8 million illnesses and over 35,000 deaths; worldwide, deaths are estimated at 700,000. If we do not address this crisis, it is predicted that annual deaths from AMR will rise to 10 million and cost the global economy over US\$100 trillion by 2050.³

AMR has been a known issue for decades but only one new class of antibiotics has been developed since 1984.⁴ This lack of investment is due to the perverse

incentives in the antibiotics market. Drug development is an expensive process but if a company is successful, they will not be rewarded under our current pay-for-use drug pricing model. Better financial incentives and improved regulations are required to start addressing the issue of AMR. For this reason, VCIM has been focused on policy advocacy and awareness in our engagement efforts on AMR.

In 2020, VCIM joined the Investor Action on AMR initiative, a coalition between Access to Medicine Foundation, the FAIRR Initiative, the UN Principles for Responsible Investment (UNPRI) and the U.K. Government Department of Health and Social Care, organized to leverage investor influence to combat superbugs.

In 2021, as part of our work with this initiative, VCIM participated in the AMR Investor Roundtable hosted by the Value Reporting Foundation (VRF) Sustainability Accounting Standards Board to provide guidance on risks and opportunities investors face and how these can be captured in reporting disclosures. VCIM also participated in the Investor Action on AMR’s roundtable with other investor members to discuss potential engagements and action that investors can take to help address the growing issue of AMR.

VCIM supported a call to the G7 Finance Ministers to prioritize policy action to address market failures that have led to limited development of novel antibiotics as well as overuse of antibiotics more generally. Given the global nature of the AMR issue, VCIM also supported the UN Call to Action on AMR, which advocates for global bodies such as FAO and WHO to prioritize the issue of AMR.

Biodiversity

Companies engaged: Costco Wholesale Corporation, CVS Health Corp., Bank of Nova Scotia, Nutrien Ltd., Air Products and Chemicals Inc., and Koninklijke DSM N.V.



Biodiversity is the term used to describe the multitude of animals, insects, plants, microbes and other living beings that inhabit the planet. Earth is inhabitable because of this biodiversity; if it is not protected, humanity faces a bleak future.

Biodiversity loss has been accelerating over the last century. The Intergovernmental Science-Policy Platform on Biodiversity Ecosystem Services (IPBES) Global Assessment on the state of biodiversity in 2019 highlighted significant concerns about current and future losses. It is predicted that a “business as usual” mindset could cost the global economy US\$10 trillion by 2050.

There are a multitude of factors causing biodiversity loss, and most are a result of human-induced changes to the environment. Some of these changes include the following: industrial agricultural systems that rely on monocrops, soil tillage, and heavy pesticide use; urbanization and deforestation that reduces habitat; and environmental pollution, including plastics and nutrient run-off from fertilizers. Climate change is yet another major factor expected to hurt biodiversity. Even if we meet Paris targets – i.e., we limit warming to no more than 2 degrees – 5% of species are at risk of extinction due to climate change alone; this proportion rises to 16% in a 4.3-degree scenario.

According to an OECD report titled [Biodiversity: Finance and the Economic and Business Case for Action](#), overall ecosystem services are estimated to provide benefits worth US\$125–140 trillion per year, representing more than 1.5 times global GDP. Examples of these include animal pollination services, estimated to be worth US\$235–577 billion, and storm protection services, of which corals are estimated to prevent US\$4.3 billion in damages globally while mangroves prevent US\$82 billion in damages in the U.S. alone.^{5,6,7}

VCIM signed the Finance for Biodiversity Pledge in 2020 and joined the Finance for Biodiversity Foundation in 2021 to further our collaborative work with other investors. VCIM has joined the Launch Investor Group for Nature Action 100, which aims to be a platform to drive collaborative investor engagement on biodiversity issues. Additionally, VCIM has participated in engagements asking Costco to set a biodiversity policy, conduct a risk assessment and map its biodiversity dependencies. VCIM has also encouraged the Canadian financial institutions we hold in our portfolios to begin looking at biodiversity impacts of financial decisions. VCIM has also signed the Financial Institution Statement on the Convention on Biological Diversity at COP15, calling for governments to set ambitious goals and provide a supportive regulatory environment to help address the grave threat of biodiversity loss.

VCIM has also engaged in other areas related to biodiversity, such as chemicals. We joined the Investor Environmental Health Network (IEHN) in 2021 to further co-ordinate our engagement work on chemicals and pesticides. VCIM engaged Nutrien, Air Products and Chemicals, and Koninklijke DSM through the joint initiative by ChemSec, asking

Biodiversity

these companies to increase transparency, make a time-bound commitment to phase out hazardous chemicals from production and set out plans to shift towards a strategy that eliminates chemical waste with associated time-bound, measurable targets. We also continued to encourage CVS Health to report to the Chemical Footprint Project. In addition, VCIM has signed on to the Principles for Chemical Disclosure, which outlines best practices for disclosing and addressing the impact of chemicals used in or to manufacture products.

Other areas related to biodiversity where VCIM has been active include plastics and water. VCIM signed the Business Call for a UN Treaty on Plastic Pollution, which urges all UN member states to adopt a legally binding treaty to address plastics pollution – the first step towards a comprehensive global approach to the issue. VCIM is also participating in the Ceres-led Valuing Water Finance Investor Working Group, which has published Corporate Expectations for Valuing Water and will be launching company engagements in the coming year.



Climate

Companies engaged: Nutrien Ltd., JP Morgan Chase & Co., Constellation Software Inc., and Trane Technologies PLC

Climate change caused by greenhouse gas emissions from anthropogenic activities is a pressing concern. In recent years, the impact of climate change has manifested in more flooding from increasingly frequent and intense storms, longer and more severe wildfire seasons, scorching heat waves and disease outbreaks. The adverse global impact is expected to worsen if climate change is not prudently managed. By investing in methods to reduce emissions and build resiliencies, we can help prevent global crises that disrupt supply chains and harm economic development.

VCIM believes climate change is one of our most pressing environmental issues both locally and globally. We take an active approach to advocate and encourage companies to take responsibility for life-cycle emissions associated with their operations and products, as well as disclose their climate risk exposure and strategies.

Net-Zero Commitments



Limiting global warming to 1.5 degrees will require reaching net-zero emissions worldwide by 2050. A key component of achieving this is the decarbonization of the agricultural industry and associated products such as fertilizers, which are very emission-intensive to both produce and use. The International Fertilizer Association estimates that the industry is responsible for 2.5% of all greenhouse gases globally. In December 2021, VCIM filed a shareholder resolution with Nutrien requesting

the company provide an outline of its plans to achieve net-zero emissions by 2050. Following constructive discussions with Nutrien, we were satisfied with the company's approach to setting a 1.5 degree-aligned emissions target and a pathway to meeting their climate commitments, resulting in the withdrawal of the resolution in Q1 2022.

Fossil Fuel Financing



The International Energy Agency (IEA) has stated that new fossil fuel exploration and production must be rapidly scaled down if we are going to meet the ambitious targets countries have set to be compliant with the Paris Agreement and limit global warming to 1.5 degrees. Continued support for fossil fuel development by financial institutions brings increased credit, market, operational and reputational risks. Several global banks have adopted policies ensuring their lending and financing do not contribute to new fossil fuel development. In December 2021, VCIM partnered with other investors to co-file a shareholder resolution with JPMorgan Chase & Co. requesting the company take action to ensure its financing does not contribute to new fossil fuel supplies that would be inconsistent with the 2050 net-zero target. JPMorgan sought to exclude the resolution from its proxy by filing a no-action request with the U.S. Securities and Exchange Commission (SEC) on the grounds that the proposal deals with the company's ordinary business operations and attempts to micromanage. The request was dismissed, resulting in the resolution being included in the company's proxy in May 2022.



Global Investor Statement on Climate



Investors are increasingly aligning their investing practices with the Paris Agreement by embedding net-zero goals and strategies into portfolio decisions, and engaging companies to cut emissions. However, the actions of investors are not enough, as they are limited by the gap between current government commitments around the world and the emission reductions that are needed. Governments have a significant role to play in meeting the 1.5 degree global warming target set out in the Paris Agreement. VCIM is a signatory of The Investor Agenda, a common leadership agenda on the climate crisis with over 450 investors managing US\$41 trillion in assets. In Q2 2021, VCIM signed the 2021 Global Investor Statement to Governments on the Climate Crisis ahead of COP26, urging governments to strengthen their commitments by increasing contributions, implementing domestic policies, and seeking mandatory climate risk disclosure. Governments responded to the letter by strengthening their commitments on climate change.

Climate Disclosure Project



The Climate Disclosure Project (CDP) is the world's largest investor-led initiative, supported by 680 institutional investor signatories with a combined US\$130 trillion in assets. Over the past two decades, CDP's global disclosure system has become the gold standard used by investors, companies, and governments to identify and manage climate-related risks and opportunities.

VCIM regularly audits its portfolio throughout the year to identify companies that do not disclose to the CDP. In 2020, VCIM engaged with Constellation Software to improve climate-related disclosures via the CDP disclosure campaign. This escalated in Q1 2022 to filing a shareholder resolution requesting climate-related disclosures from the company. VCIM withdrew the resolution in response to a commitment by Constellation Software to improve their disclosure approach in the upcoming year. Throughout 2022 we will continue to work with the company and monitor progress.

As part of Climate Action 100+ (CA 100+), an engagement initiative that focuses on 166 companies that are critical to the net-zero emissions transition, VCIM took on a co-lead role in engaging with Trane Technologies to further enhance disclosure. Trane is a company that implements best practices and is already committed to providing science-based targets.

To ensure racial equity and human rights principles are considered and respected in the transition to a net-zero economy, in January 2022 we became a signatory to the Interfaith Center on Corporate Responsibility (ICCR) and have signed the Statement of Investor Expectations for Job Standards & Community Impacts in the Just Transition.

Canadian-Specific Collaborative Engagements



While the CA 100+ set an international precedent for collaborative engagement by major investors, it only covers six of the roughly 250 Canadian companies in the S&P/TSX Composite Index, leaving approximately 87% of the index's market capitalization out of scope. To bolster the efforts of the CA 100+ initiative, VCIM, through Vancity Credit Union, joined Climate Engagement Canada (CEC) as a founding partner and contributor in Q2 2021. The CEC initiative aims to develop a national collaborative platform for domestic investors and lenders to engage companies on climate risk governance, disclosure, and the transition to a low-carbon economy.

VCIM has signed the Canadian Investor Statement on Climate Change, organized by the Responsible Investment Association (RIA). Backed by 36 institutional investors managing a combined CAD\$5.5 trillion in assets, the statement outlines action that Canadian institutional investors will be taking to advance the pursuit of net zero. These actions include setting an expectation that investee companies will establish emission targets and report on their progress,

as well as disclose climate-related risks in line with the Task Force for Climate-Related Financial Disclosure (TCFD).

Net Zero Asset Managers Initiative



In Q4 2021 VCIM committed to the Net Zero Asset Managers Initiative (NZAMI). VCIM has already achieved significant carbon footprint reductions, including an 80% lower carbon footprint for our global mandate relative to its benchmark and a 60% lower carbon footprint for our Canadian mandate. The NZAMI commitment will cover all VCIM managed assets and will use a target that includes scope 1 and 2 emissions, measured against the baseline year of 2019. Climate engagement targets are going to form a core piece of our NZAMI targets. An interim target for 2030 is currently in development and expected to be finalized later this year.



Diversity, Equity, Inclusion, and Reconciliation (DEIR)

Companies engaged: Waste Connections Inc., CCL Industries Inc., Nutrien Ltd., and Johnson Matthey PLC

Employees and local communities are the lifeblood of any organization. Many companies have implemented policies to ensure that they attract the best talent by providing a safe and enjoyable workplace that removes barriers and provides women and minorities with equitable access to opportunities. In Canada, reconciliation, which is about building and revitalizing relationships with Indigenous and non-Indigenous Canadians, is a key component of any work on diversity, equity and inclusion. This is why we are using the term DEIR in our work.

Strong policies and practices increase employee satisfaction, build loyalty, and help to avoid controversy. Beyond increased productivity and profit, implementing a strong DEIR policy is simply the right thing to do.

Environmental Justice



While it is critical that companies look inward when implementing DEIR policies, they need to also look outward and examine the impact they have on surrounding communities. One of the best ways to ensure equity is present in all operations is the application of environmental justice (EJ) and its principles.

EJ is the involvement and fair treatment of all communities regardless of race, socioeconomic status or ethnicity in decisions relating to environmental factors.⁸ EJ is crucial as high-polluting facilities are

far more likely to be built near, or in, communities of colour.⁹ This disproportionately places the burdens of pollution and waste on racialized groups, ultimately leading to health issues and widening socioeconomic disparities.¹⁰



VCIM filed a shareholder resolution with Waste Connections Inc. to request that they conduct an EJ audit of their operations in Canada and the U.S. The proposal further asked that the company publish any results. Through discussions, it was established that Waste Connections follows many best practices in the U.S. and will work to expand this in Canada, including evaluating impacts on Indigenous populations. Further, they committed to publishing all efforts and data collected in an accessible manner on their website.

VCIM continued engagement with chemical and material companies held in our portfolios, including CCL Industries, Nutrien and Johnson Matthey, to increase reporting on the potential EJ impacts of operations and the life cycle impacts of substances contained in their products or used during production.

Good Governance

Companies engaged: Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, Royal Bank of Canada, Canadian Pacific Railway Ltd., and RioCan Real Estate Investment Trust

Strong governance is a requirement for companies to implement effective environmental and social practices and policies. The rules by which a company guides and oversees itself lay the groundwork for taking care of employees, ensuring strong environmental stewardship and maximizing positive impacts on the community.

Core principles of good governance are accountability, leadership, integrity, stewardship and transparency.¹¹ The theme of VCIM's 2021 engagement on governance was transparency. Our shareholder proposals, meetings, and voting pushed companies to make their ESG work more accessible to investors and publish new statistics relevant to employee satisfaction and overall work culture.

CEO Pay Ratio



Economic inequality has been steadily increasing since the 1970s. A contributor to this inequality is the increasing gap

between what executives are paid and what the larger workforce is paid. The value being created by companies is increasingly accumulating at the top of the organization, which is driving wealth inequality more broadly.

A recent study found that CEO compensation at the top 100 companies on the TSX was 202 times the pay of an average worker in 2020.¹² Disclosure on executive compensation relative to median salaries would provide investors with valuable information on how companies are managing this issue. Publishing this ratio is an

important part of how investors and employees can hold companies accountable.

For the ratio to provide an accurate representation of the true magnitude of the wage gap at a given company, investors, employees, and management need to see the trend over time. If the gap widens, as has been the tendency for the past few decades, companies should take action to ensure employee sentiment stays positive, preventing increased turnover, higher costs and decreased productivity.

VCIM filed shareholder resolutions with Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, Royal Bank of Canada, and Canadian Pacific Railway. Both CP Rail and Scotiabank agreed to publish the ratio. We continue to work with CIBC, TD and RBC towards disclosing this critical information.

Disclosure



An investor's ability to determine a company's ESG performance is highly dependent on the company's disclosure of ESG

factors. Many companies undertake important work to care for their employees, communities and environment. By disclosing these initiatives, investors can make more informed decisions.

VCIM engaged with RioCan Real Estate Investment Trust to encourage the company to increase its disclosure of ESG factors, including publishing executive compensation.

In 2021, RioCan approached VCIM for advice on low say-on-pay vote results. We conveyed the importance of various governance elements, including a transparent executive compensation program and tying compensation to ESG factors, which can help ensure RioCan is managing long-term ESG-related risks appropriately.

Human Rights

Companies engaged: Boralex Inc., Brookfield Renewable Corp., Nike Inc., Aritzia Inc., Lululemon Athletica Inc., Apple Inc., Alphabet Inc., Sociedad Quimica y Minera de Chile, Cisco Inc., International Business Machines Corp., Microsoft Corp., and Amazon.com Inc.

The impact a company has on human rights – through direct operations or the supply chain – is a high priority area in our ESG analysis. The global economy is interconnected and complex, presenting unique challenges for countries that have different values, needs and goals, as reflected in their inconsistent enforcement of the United Nations’ 1948 Universal Declaration of Human Rights. Companies have an obligation to identify potential or actual human rights violations within their value chains. If any are found, steps should be taken to eliminate them and preventive measures should be implemented to ensure they do not recur. However, it can be challenging for companies with a global footprint to meet these obligations because different countries have very different and often highly complex rules. Notwithstanding, companies that are undertaking this difficult work throughout the value chain are not only doing the right thing, they are also mitigating increasing regulatory and reputational risks.



Geopolitical Conflicts



The Uyghurs, an ethnic Turkic and religious minority Muslim group from the Xinjiang Uyghur Autonomous Region (XUAR) located in northwestern China, have been subjected to severe state-sponsored repression for several decades. The Chinese government has been undertaking a campaign to subjugate the Uyghurs by systematically detaining and transferring them against their will to “re-education” camps.¹³ Companies sourcing goods and/or raw materials from China are potentially exposed to forced labour through their supply chains. These risks are increasing as many Western countries have been strengthening legislation to crack down on imports believed to have been produced with forced labour.

VCIM has supported calls to implement legislation that targets imports made from forced labour, as well as legislation that would require improved human rights due diligence in the U.S., EU and Canada. VCIM signed an open letter to the U.S. Congress urging lawmakers to pass the Uyghur Forced Labor Prevention Act. The Act would ensure that goods made with forced labour of Uyghurs are excluded from the U.S. market. Additionally, VCIM joined a group of investors in a letter to the Canadian Senate Committee on Banking, Trade and Commerce that urged lawmakers to bolster the proposed draft legislation of Bill S-211, *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff*, to ensure it incorporates best practices related to human rights due diligence.

Along with other investors, VCIM signed an open letter addressed to the EU Commission urging it to advance its proposal for mandatory human rights and environmental due diligence. We also supported

draft legislation proposed by the Canadian Network on Corporate Accountability (CNCA) that sets forth more robust and comprehensive human rights and environmental due diligence in Canada.

High-risk products and services coming from the XUAR include cotton, technology-related applications and products, and polysilicon, a key component in solar supply chains. VCIM led engagements with Boralex and Brookfield Renewables about potential exposure in solar supply chains. Additionally, VCIM co-filed a shareholder proposal with Nike asking the company to publish an assessment of the actual and potential human rights impacts of its cotton-sourcing practices throughout the supply chain. Although the resolution did not pass, it had a strong showing with 27% of shareholders voting for the proposal. Other apparel companies we engaged directly include Aritzia and Lululemon. VCIM also led engagements on forced labour exposure in the technology sector with Cisco and was a supporting investor on engagements with Amazon, Apple, Alphabet and Microsoft.

VCIM signed the Investor Statement on Human Rights and Business Activities in Myanmar, which demands that portfolio companies that have previously committed to the United Nations Guiding Principles on Business and Human Rights uphold their corporate responsibility to uphold human rights.

VCIM also signed the Investor Statement on the Crisis in Ukraine, calling on companies to take immediate steps to align their operations with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises in relation to the conflict. This statement encourages companies to evaluate their value chain and cut ties and stop activities that support the Russian and Belarusian governments. It also urges them to publicly affirm their support for democracy, territorial integrity and the fundamental rights of the people of Ukraine.

Human Rights in the Mining Sector



Mining is an essential sector, supplying the fundamental materials that underpin our modern economy. The clean energy transition relies on several materials; for example, lithium is used for electric car batteries and cadmium is used for solar panels. Mining operations occur around the globe and sometimes operate in regions with weak protections for human rights. There are heightened risks when companies do not conduct sufficient community consultation and fail to obtain the social licence to operate from local populations.

VCIM engaged Sociedad Quimica y Minera de Chile to discuss its lithium mining operation in the Atacama Desert to understand how it is applying its human rights policy and ensuring that it maintains the social licence to operate. The Atacama is the driest place on earth and home to many Indigenous groups; extracting lithium is a water intensive-process that could deplete a vital and necessary resource for those communities.

In addition, VCIM joined a collaborative shareholder engagement led by Stewart Investors on conflict minerals in semiconductors. VCIM is leading engagements with select portfolio companies throughout 2022 as part of this initiative.

Human Rights in the Digital Environment



Technology companies, as well as companies that use technology to gain insights into user behaviour, collect an immense amount of user data that could potentially be used to erode human rights. Companies must ensure that human rights are protected throughout their operations and value chains. One area of particular concern is facial recognition technology (FRT), which is software that maps an individual's facial features with biometrics and uses artificial intelligence to compare those features against facial images stored in a database with the goal of determining the person's identity. FRT has many applications that range from authentication to mass surveillance. Concerns have been raised globally over the lack of a regulatory and standard ethical framework governing FRT use, FRT bias against certain groups, and privacy rights. In light of these concerns, there have been calls to

create robust government legislation and regulation, as well as a standard ethical framework for FRT use.

VCIM has signed the Investor Statement on Facial Recognition. Signatories have committed to incorporating the United Nations Guiding Principles on Business and Human Rights (UNGPs) in their investment analysis of companies involved in FRT. The statement is part of a coordinated shareholder engagement initiative, which defines what actions participating investors take during the engagement. VCIM led engagements with Cisco and IBM as part of this initiative.

As part of our work with the Investor Alliance for Human Rights (IAHR), VCIM has signed the Investor Statement on Corporate Accountability for Digital Rights, which calls on companies to improve transparency and accountability in the information and communication technology sector. VCIM's efforts in this area include our work in support of lead investor engagements of Microsoft and Alphabet.

VCIM signed the Investor Statement in Support of Digital Rights Regulations, which urges European Union lawmakers to create and enforce laws that protect people's rights to privacy and freedom of expression, as well as the ability to control their own information and how it is used online.



Labour Relations & Human Capital Management

Companies engaged: Amazon.com Inc., Starbucks Corp., CVS Health Corp., NFI Group Inc., and Chartwell Retirement Residences

Labour and human capital are key components of any business. As such, it is important to ensure that companies held in our portfolios are implementing systems to manage these areas. Compensation and benefits packages are human capital investments that affect a company's ability to attract, develop and retain employees. Fundamentally, these two human capital investments contribute to an employee's overall well-being. This can strengthen an employee's relationship with their employer, which in turn can increase productivity. The adage goes that a company's most valuable resource is its people.

Support for Unionization Efforts



Freedom of association, the basis for unionization, is a basic human right. Unionization efforts have been launched at two of the largest employers in the U.S., Amazon and Starbucks. Workers seeking better working terms and conditions organized and put forth a union vote at several locations. VCIM, along with other investors, sent a letter to Amazon communicating our expectation that the company adhere to the United Nations Guiding Principles on Business and Human Rights, which recognizes the fundamental right of workers to organize. Investors asked Amazon to further improve disclosure and transparency on how it protects the right to freely associate and form unions at the company, as well as on the mechanisms in place to identify, review and remediate human rights risks.

VCIM, along with other institutional investors and public officials, also sent a letter to Starbucks expressing concern over how the company was responding to unionization efforts in Buffalo. The letter urged Starbucks to accept the union vote results and act in good faith.

Paid Sick Leave



Two core components of employee well-being are physical health and adequate living standards. Companies that do not make adequate human capital investments in these areas risk lower productivity and higher turnover rates. Sick employees who attend work out of financial necessity can spread illness throughout the workforce; furthermore, customers and clients are at risk of contracting an employee's illness if those employees are front-line workers. We need look no further than the Covid-19 pandemic to understand how this can quickly spread to a whole community.

VCIM co-filed shareholder resolutions with Amazon and CVS Health requesting each company adopt and publicly disclose a policy that would allow part- and full-time employees to accrue paid sick leave for use after a reasonable probationary period. The resolution was withdrawn at Amazon because the company confirmed all employees do have access to paid sick leave. The proposal was brought to a vote at CVS Health's annual general meeting.

VCIM and other institutional investors issued a statement to leaders of the U.S. Congress and Senate, calling on them to pass a comprehensive and permanent federal paid family and medical leave program by the end of 2021.

Labour Relations & Human Capital Management

VCIM signed an investor letter that asked companies to respond to questions about their workforce and paid sick leave policies. The letter was part of an investor initiative led by the Interfaith Center on Corporate Responsibility, a shareholder advocacy group, of which VCIM is a member.

Living Wage



Socially responsible companies contribute to the economic well-being of the communities in which they operate by providing direct and indirect employment. VCIM believes that paying wages at a level that supports a family at a reasonable standard of living increases social capital, creates value and strengthens social impacts. Workers with families who earn a living wage are more likely to be able to provide a more enriched environment for their children than those who do not, thereby increasing their chances of higher levels of academic achievement. Furthermore, living wage workers can also dedicate more time to learning new skills and participating in community and civic life.

VCIM submitted shareholder resolutions with NFI Group and Chartwell that asked their respective

boards of directors to undertake a review and report to shareholders on the feasibility, cost and benefits of the company implementing a living wage policy covering employees, suppliers and contractors. NFI Group agreed to conduct a living wage analysis for its North American transit bus production facilities over the following 12 months. The company published the results in its 2021 ESG Report and has committed to raising the wages of the few employees identified as earning below a living wage. The resolution at Chartwell was brought forward for a vote at its annual general meeting, and VCIM continued discussions with the company after the meeting as part of our membership with the collaborative investor group UNI Global Union.



Memberships & Commitments

Memberships

VCIM partners with like-minded organizations and investors to leverage our collective influence and achieve greater change through our shareholder engagement activities.

VCIM is a member of the following organizations:

- Interfaith Center for Corporate Responsibility
- Ceres Investor Network
- Climate Engagement Canada
- Net Zero Asset Managers Initiative
- FAIRR
- Access to Medicine
- Investors for Environmental Health Network
- UNPRI
- Nature Action 100 Launch Investor Group
- Investors Alliance for Human Rights
- Investors for Opioid and Pharmaceutical Accountability
- Finance for Biodiversity Foundation
- CDP
- Valuing Water Investor Working Group
- CA100+

Portfolio ESG-Related Commitments

- Net-zero commitment: VCIM has committed to achieving net zero by 2050 with an interim 2030 target to be announced in 2022.
- Finance for Biodiversity Pledge: VCIM has committed to reporting on biodiversity portfolio impacts by 2025.

Proxy Voting Results

Proxies are voted in partnership with the [Shareholder Association for Research and Education](#) (guidelines are available on [vcim.ca](#)). VCIM considers factors including economic returns to shareholders, good corporate governance, ethical behaviour, as well as the social and environmental impact of business activities. As can be seen here, we regularly support proposals raised by other shareholders in opposition to management and often vote against say on pay. Proxy voting is a critical avenue for engagement and an opportunity for shareholders to communicate to management the importance of ESG issues.

VCIM's proxy voting records

	Q1	Q2	Q3	Q4	Total 2021
Number of meetings	17	116	9	13	155
Against say on pay	49%	71%	80%	64%	69%
For shareholder proposals/ against management recommendation	100% 9 proposals	92% 167 proposals	N/A	80% 10 proposals	92%

Source: Groupe Investissement Responsable, IA Clarington Inhance SRI Funds Proxy Voting 2021 Reports

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