Engaging for change
Active ownership report

Q1 2019

At NEI Investments, our ESG team actively engages companies across our funds to drive change on behalf of our investors. Through dialogue, we alert companies to the environmental, social and governance risks they may be facing. We propose solutions to help them overcome tough challenges and improve their ESG performance, with the goal of protecting and growing value for shareholders. We also vote at Annual Shareholder Meetings on matters such as board appointments, good governance, and shareholder proposals. This quarterly report shows the progress and outcomes of our engagement and policy activity.

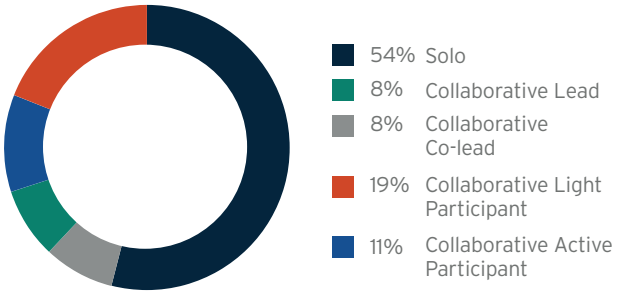
Corporate engagement *by the numbers*

103 Shareholder meetings voted

29 Focus List dialogues

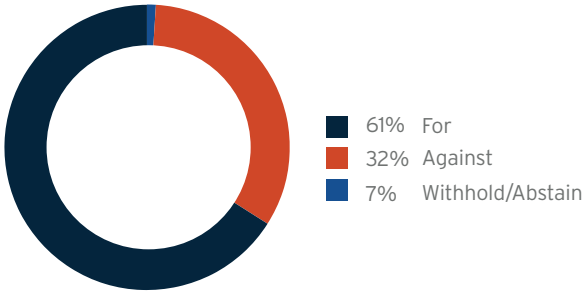
NEI engagement role

In Q1 of 2019 we have led, either alone or in collaboration with other investors, around 70% of our engagements. These dialogues were actively driven by our team; they went beyond signing on to collaborative investor letters or statements.

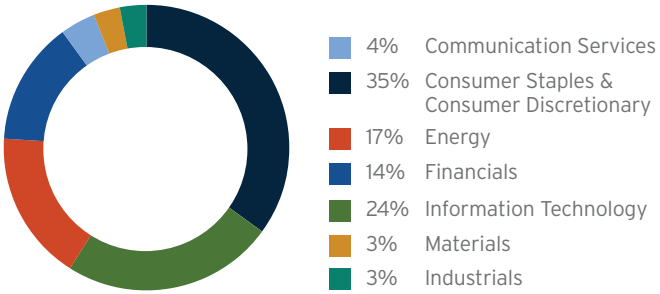


Vote instruction

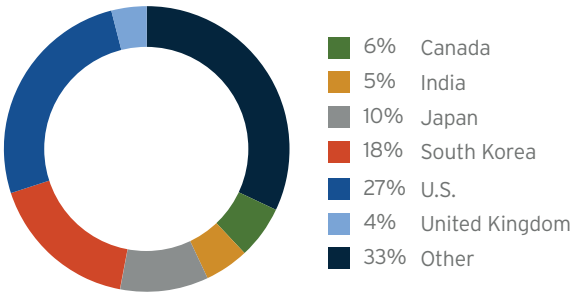
In Q1 of 2019, we voted against company management at Annual Shareholder Meetings 32% of the time. Voting against company management is one indicator for investors to determine whether their proxy votes are actively managed by their fund company rather than set to automatically vote in favour of management.



Engagement by sector



Votes by market



To learn more about how we voted at companies in a particular fund and to review our voting guidelines, visit our proxy voting section at neiinvestments.com.

Engagement *outcomes*

ESG oversight at Canadian banks

Hasina Razafimahefa, ESG Analyst

Risk management and consumer trust are key to the performance of the banking sector. Our ongoing analysis of ESG issues affecting the banking industry has highlighted the materiality of climate change, responsible lending and consumer protection, and we have been engaging Canada's five largest banks on board readiness to effectively oversee these risks. CIBC was lagging its peers. For instance, it was unclear how CIBC's board built its capacity to effectively oversee complex issues like climate change. Our dialogue encouraged the bank to show more ambition in advancing ESG practices. CIBC made significant progress in early 2019 by greatly enhancing its disclosure and governance of ESG issues, including corporate lending due diligence, while addressing key structural concerns about consumer protection. The bank also committed to participating in the second phase of a pilot project of the Task Force on Climate-related Financial Disclosures.

Sectors:	Financials
SDGs:	**13:** Climate Action; **16:** Peace, Justice & Strong Institutions

Reducing ocean plastics

Jamie Bonham, Manager Corporate Engagement

Product packaging is a significant contributor to the buildup of plastics in our oceans. That is why we joined investor colleagues in the Plastic Solutions Investor Alliance to engage major consumer brands on setting ambitious targets to reduce, reuse and recycle. To date, we have met with Unilever, Pepsi, Nestlé and P&G and are impressed with their progress. Three of the four have signed on to the New Plastics Economy Global Commitment – a commitment to eliminate unnecessary plastic packaging, dramatically reduce single-use plastics, make 100% of plastic packaging reusable, recyclable or compostable, and set ambitious recycled content targets across all plastic packaging used – all by 2025. Unilever and Nestlé in particular are investing heavily in recycling solutions and facilities and putting significant R&D toward finding solutions.

Sectors:	Consumer Staples & Consumer Discretionary
SDGs:	**12:** Responsible Consumption & Production

Responsible Canadian supply chains

Sunny Brar, ESG Analyst

Consumer companies that have extensive and complex global supply chains need to manage equally complex ESG risks, ranging from responsible sourcing and labour rights to environmental impacts and workforce equity. We actively engage global brands on best practice in the oversight and management of these risks, including many well-known Canadian companies such as Leon's, Aritzia, Canadian Tire, Metro and Loblaw. Notably, we have worked closely with Leon's for many years to provide insight and feedback on responsible supply chain best practices. We are pleased that in 2019 Leon's published its first Supplier Code of Conduct, a welcome outcome from our engagement.

Sectors:	Consumer Staples & Consumer Discretionary
SDGs:	**10:** Reduced Inequalities; **12:** Responsible Consumption & Production

Voting for board gender diversity

Rosa van den Beemt, Senior ESG Analyst

For more than 15 years we have worked to advance board diversity in Canada by using our voting rights to withhold support from directors if there is no gender diversity on the board and no credible commitment to enhancing it. We have successfully engaged many companies on this topic, helping them set ambitious targets. However, recent research has shown that despite growing investor interest, progress is unacceptably slow. In February, together with our sub-advisor Addenda Capital, we launched the first-of-its-kind Canadian investor statement, committing signatories to concrete voting actions at companies where board diversity is a concern. To date, the statement has gathered Canadian and international investor signatories with over $400 billion of collective assets under management.

Sectors:	All
SDGs:	**10:** Reduced Inequalities

Energy Transition *Day of Learning*

Jamie Bonham, Manager Corporate Engagement

Most Canadians have looked on in bemusement at how polarized public discourse has become in our neighbour to the south, where even seemingly innocuous facts are a cause for violent debate and division. Unfortunately, climate change has become one such divisive topic, to the likely detriment of us all. But Canadians don't have to look over the fence to see a polarized and dysfunctional conversation on climate change – we have enough of it in our own backyard.

A quick stock take: several provinces are taking the federal government to court over its climate policy; neighbouring provinces are threatening economic retaliation against one another because of a pipeline (while we have national debates over whether we should ever build a pipeline again); and we hear calls to shut down the oil & gas industry in Canada - full stop - or to ramp it up as fast as we can! These are not the hallmarks of a functional debate about the energy transition.

Disappointed in the quality of the conversation we were having, we reached out to some of Canada's biggest companies to see if there was interest in trying to stimulate some different conversations. The result was the Energy Transition Day of Learning, an event we co-hosted with RBC, Suncor Energy, Teck Resources and the Energy Futures Lab. On February 7, 2019, over 90 actors from across multiple sectors spent an entire day learning about the pace and scale of developments in the energy transition and engaged in informed debate on the risks and opportunities. Investors, analysts, banks, energy companies and academics shared their experience and perspectives in a day that was rich with content and diverse opinions but focused on solutions.

Innovation in fossil fuel industries can happen at the same time as we find cheaper and cleaner alternatives.

Some of the key themes and ideas that cropped up throughout the day include:

- The transition to a lower-carbon energy system is already underway – falling technology costs mean that it will happen regardless of policy, and possibly much sooner than we expect
- Canada risks being left behind if we don't recognize this reality and act accordingly
- A key strength is the current energy economy – opportunities abound to find low-carbon solutions for our resource-heavy economy that will be desperately needed in other jurisdictions
- There isn't just one path – we can (and must) move forward on several fronts – innovation in fossil fuel industries can happen at the same time as we find cheaper and cleaner alternatives
- The transition must be a just one, or it will never get critical mass (meaning it can't ignore the real and potentially unequal economic challenges that might come from the transition)

Many more ideas came out of the day, and more importantly, many new connections were made that may lead to future collaborations. While the organizing partners consider next steps, one message we heard resonates:

If you want to go fast, go alone; if you want to go far, go together.

Corporate *dialogues*

Company	Sector	Topic	NEI funds
Vodafone Group	Communication Services	Respecting digital rights	NEI Canadian Equity Fund; NEI Canadian Dividend Fund
Aritzia	Consumer Discretionary	Advancing ESG management and disclosure	NEI Canadian Small Cap Equity RS Fund
General Motors	Consumer Discretionary	Climate Action 100+	NEI Global Value Fund
Leon's Furniture	Consumer Discretionary	Responsible supply chains; advancing ESG management and disclosure; advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund; NEI Canadian Small Cap Equity Fund
Linamar	Consumer Discretionary	Implementing TCFD recommendations on climate disclosure	NEI Balanced RS Fund; NEI Canadian RS Equity Fund; NEI Jantzi Social Index Fund
Danone	Consumer Staples	Access to Nutrition Index	NEI International Equity RS Fund; NEI US Equity Fund
Kellogg	Consumer Staples	Access to Nutrition Index	Sold
Loblaw	Consumer Staples	Bangladesh apparel factory safety	NEI Balanced RS Fund; NEI Canadian RS Equity Fund; NEI Jantzi Social Index Fund
Nestlé	Consumer Staples	Access to Nutrition Index	NEI International Equity RS Fund; NEI Global Equity Fund; NEI International Equity Fund
Procter & Gamble	Consumer Staples	Plastic Solutions Investor Alliance	NEI U.S. Equity RS Fund; NEI Global Equity RS Fund; NEI Global Dividend RS Fund
Unilever	Consumer Staples	Access to Nutrition Index; Plastic Solutions Investor Alliance	NEI Canadian Dividend Fund; NEI International Equity Fund; NEI U.S. Dividend Fund; NEI Tactical Yield Fund
BP	Energy	Advancing the U.S. energy transition	NEI Global Equity RS Fund; NEI Global Equity Fund
Chevron	Energy	ESG-ready boards	NEI U.S. Dividend Fund; NEI Tactical Yield Fund
Enbridge	Energy	Implementing TCFD recommendations on climate disclosure; advancing the Canadian energy transition	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund
Exxon Mobil	Energy	Climate Action 100+	NEI U.S. Dividend Fund; NEI Tactical Yield Fund
Suncor Energy	Energy	Advancing the Canadian energy transition	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Jantzi Social Index Fund
CIBC	Financials	Business ethics; responsible lending; implementing TCFD recommendations on climate disclosure; ESG-ready boards	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Equity Fund; NEI Canadian Dividend Fund
RBC	Financials	Advancing the Canadian energy transition	NEI Global Dividend RS Fund; NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund; NEI International Equity Fund
TMX Group	Financials	Advancing the Canadian energy transition	NEI Growth & Income Fund; NEI Canadian Equity Fund
Wells Fargo	Financials	Business ethics	NEI Canadian Dividend Fund; NEI U.S. Dividend Fund; NEI Tactical Yield Fund
CGI Group	Information Technology	Implementing TCFD recommendations on climate disclosure	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund
IBM	Information Technology	Investor Decarbonisation Initiative	NEI Global Dividend RS Fund
Mail.Ru Group	Information Technology	Respecting digital rights	NEI Emerging Markets Fund

Corporate *dialogues (cont'd)*

Company	Sector	Topic	NEI funds
STMicroelectronics	Information Technology	Investor Decarbonisation Initiative	Sold
Yandex	Information Technology	Respecting digital rights	NEI Emerging Markets Fund
Canon	Information Technology	Board diversity	NEI Global Dividend RS Fund
Otsuka	Information Technology	Board diversity	NEI International Equity Fund
Teck Resources	Materials	Advancing the Canadian energy transition	NEI Jantzi Social Index Fund
Dynergy	Utilities	Investor Decarbonisation Initiative	Sold

Policy *actions*

Policy activity	Impact sector	Impact market	SDG theme
Co-authored the Investor Statement on Corporate Accountability for Digital Rights for the Investor Alliance for Human Rights	Digital companies	Global	SDG 16 – Peace, Justice & Strong Institutions
Signed on to the Interfaith Center for Corporate Responsibility investor statement to Bangladesh government in support of Accord on Fire & Building Safety	Apparel manufacturing, retail	Global	SDG 10 - Reduced Inequalities
Co-authored the Voting for Board Gender Diversity Canadian Investor Statement together with Addenda Capital	All	Canada	SDG 10 - Reduced Inequalities
Provided feedback on the OECD Guidance on Responsible Business Conduct for Banks	Banks	Global	SDG 16 - Peace, Justice & Strong Institutions
Endorsed a statement from the UN Principles for Responsible Investment on Investor Expectations on Sustainable Palm Oil	Food and personal care, banks	Global	SDG 12 - Sustainable Consumption & Production

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