



NEI

» DEMAND MORE. WE DO.

NEI CLIMATE STRATEGY: COMMITMENT



November 2021



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HEIGHTENED URGENCY REQUIRES GREATER AMBITION

Helping companies align their businesses to address and mitigate the risks of climate change has been central to NEI's corporate engagement strategy for the last 20 years. So why a distinct climate strategy for NEI? And why now?

Today, in response to the urgency of the global climate crisis, we are witnessing a dramatic acceleration in the pace of corporate and investor commitments to climate action. There is a growing consensus around the imperative of aligning business strategies with the Paris Agreement's global goal of net-zero greenhouse gas emissions by 2050. And increasingly, net zero is becoming the lens through which climate strategies are being assessed by investors. That is the lens we have always used to focus our external engagements. And it is the lens we will use in our climate strategy to measure the progress of our entire business against the collective goals of net zero.

Meeting those collective net-zero ambitions will take leadership. That's a role we're comfortable with. We have built our reputation by shaping meaningful responses to the social and environmental challenges we face every day. This is what we do. The NEI Climate Strategy is another step in that leadership journey.

Our climate strategy plots the roadmap for our net-zero future by identifying six foundational pillars: net-zero alignment; active ownership; climate-focused investment solutions; policy, standards, and collaborations; transparency and reporting; and internal alignment. Some of these pillars—like our active ownership and policy work—are well established. Others, like the development process behind our investment solutions, will now need to prioritize net-zero considerations. Ultimately, every aspect of our business will be reshaped by our climate strategy and the commitment to address the climate crisis that it signifies.

That's a vital message to deliver to our most important stakeholders—our investors. Our climate strategy and the activities that support it will give our investors confidence that their investments with NEI are driving positive change, in addition to growing their wealth. By clearly defining our climate response, we will ensure *their* money will have a direct impact on the climate crisis, helping contribute to a better future for them, for their families, and for the planet.



Frederick M. Pinto

Senior Vice President and Head of Asset Management
NEI Investments and Aviso Wealth

A SIX-PILLAR FOUNDATION

The goal of our climate strategy is to drive real-world reductions in greenhouse-gas emissions. Achieving that goal requires action on many fronts, beginning with alignment to net zero and running through our active ownership program, our policy and standards work, our commitment to transparency and reporting, and more. All of that work is guided by three principles: innovation, transparency, and accountability.

On this page we provide a summary of our six-pillar foundation. In the pages that follow, we identify the specific commitments we are undertaking or intend to undertake for each pillar. We want all our stakeholders to be familiar with the underpinnings of our strategy as we progress through implementation and reporting in the months and years ahead.

1 Net-zero alignment

We commit to aligning all assets under management and NEI as an organization with net zero by 2050 or sooner, in line with commitments made under the Net Zero Asset Managers Initiative, and in partnership with our sub-advisors.

2 Active ownership

We've been talking to companies about enhancing their climate responses for almost two decades. We commit to pursuing our corporate engagement activities with renewed vigour to amplify our influence, stressing the development of net-zero strategies and widespread adoption of the Task Force on Climate-related Financial Disclosure (TCFD) reporting framework.

3 Climate-focused investment solutions

We commit to fully embedding climate considerations into our product development process. We want to offer the best in climate-focused investment solutions so investors can be confident they, too are contributing to a low-carbon future.

4 Policies, standards, and collaborations

As we have for years, we commit to continuing our work with standard-setters, regulatory bodies, and the government to strengthen global oversight of our shared path to net zero. We believe this can be better achieved when working with multiple stakeholders as part of a larger group.

5 Transparency and reporting

We commit to providing ongoing reports on progress toward our short- and long-term targets, highlighting our successes and areas for improvement and identifying our next steps.

6 Internal alignment

We commit to aligning corporate operations with net zero by 2050 or sooner. This includes developing methods of measuring current emissions and carbon footprint and researching innovative and effective financing mechanisms to help offset this carbon footprint within NEI, and ultimately across NEI's parent company Aviso Wealth.

1. NET-ZERO ALIGNMENT

The global community has agreed on two short words to represent our transition to a low-carbon world by 2050: net zero. But what does it mean?

Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by their removal from the atmosphere. The current thinking is that if we can achieve net-zero emissions, we will have reined in global warming enough for the planet to survive the worst effects of climate change. To get there, public and private actors all over the world must undertake massive, strategic commitments and invest trillions of dollars.

Asset managers have a particular role to play, and it's one that NEI is familiar with. As we continue to work the long-established levers of our responsible investment program, we recognize that we must go further. That work begins here, in our climate strategy, with net-zero alignment.

We commit to:

- Aligning our investment fund lineup with the global goal of achieving net-zero greenhouse gas emissions across all assets under management by 2050
 - Setting and publishing interim net-zero targets in 2022 for 2025 and 2030
 - Embedding our net-zero commitments into our product development guidelines in 2022
 - Investment funds to be categorized under a proprietary scheme currently in development as either Net-zero Accelerator, Net-zero Aligned, or non-Aligned*
 - Working with our sub-advisors to set fund-level goals and expectations that align with our net-zero targets:
 - Effective immediately, any new sub-advisor will be aligned with our net-zero targets
- 2023 goals:
 - All sub-advisors to support the TCFD framework
 - All sub-advisors to track and report carbon-related metrics
 - 2025 goals:
 - All sub-advisors to have set interim targets aligned with net zero
 - All sub-advisors to report publicly against their net-zero targets
 - 2030 goals:
 - All investment funds to be categorized as either Net-zero Accelerator or Net-zero Aligned*
- Revising our [Responsible Investment Policy](#) and [Proxy Voting Guidelines](#) in 2022 to reflect our net-zero commitments and other climate strategy pillars

In addition to the above, we have made the following public commitments to net zero:

- Signatory to the [Net Zero Asset Managers Initiative](#), an international group committed to supporting the goal of net zero by 2050 or sooner, with 220 investors managing US\$57 trillion as of November 1, 2021
- Founding signatory to and contributing author of the [RIA Canadian Investor Statement on Climate Change](#)

These net-zero commitments and other climate strategy commitments below will be overseen by our RI Executive Committee.

* NEI is developing a three-tiered scheme to categorize all funds in our lineup. The working category names are Net-zero Accelerator, Net-zero Aligned, and Non-aligned. Net-zero Accelerator: funds with sub-advisors that have committed to achieving net zero by 2050 and are working with NEI on setting fund-level targets, and that invest primarily in climate-focused solutions (e.g., renewable energy, energy efficiency, circularity). Net-zero Aligned: funds with sub-advisors that have committed to achieving net zero by 2050 and are working with NEI on setting fund-level targets. Non-aligned: funds that may have an ESG mandate but otherwise do not meet the conditions above. The scheme is intended to be implemented in 2022.

2. ACTIVE OWNERSHIP

We have been engaging companies on climate change and the energy transition for more than 15 years. With renewed urgency, we will work with our sub-advisors to create engagement goals that put companies on a path to net-zero alignment.

We commit to:

- Setting time-bound corporate engagement targets in 2022 that address such topics as:
 - TCFD alignment
 - Net-zero aligned or science-based targets for emissions reductions
 - Measurable emissions reductions from companies in our investment funds
 - Sector-specific expectations such as renewable energy mandates, zero-emission vehicle fleets and relevant industry certifications and commitments

Forests are a critical and irreplaceable resource in the fight against climate change and are needed to protect biodiversity. Deforestation caused by the farming of commodities such as soy, palm oil, and beef is a major contributor to global emissions that we believe should be curtailed, in part through corporate engagement.

We commit to:

- Engaging companies with the goal of eliminating sources of commodity-driven deforestation in our investment funds by 2025, in line with the interim targets and timelines set out in the Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation

Proxy voting is an integral component of our active ownership program. We regularly support important climate-related shareholder proposals put forward at companies' annual general meetings. Our [Proxy Voting Guidelines](#) explain why we might vote against the board chair at companies that we feel are not adequately addressing the risks of climate change. For example, in 2021 we voted against the board chair due to climate-related concerns at 53 companies.

Much of our engagement work is conducted as part of a larger collaborative effort. Here are two key initiatives where NEI plays a significant role:

- [Climate Action 100+](#): NEI is co-lead on two of the CA100+ engagements and an active participant in six others, and will continue to support this innovative investor collaboration aimed at driving high-emitting companies toward net-zero alignment
- [Climate Engagement Canada](#): NEI is a founding signatory to the CEC initiative, committed to funding and leading engagements focused on the unique aspects of Canada's climate context



3. CLIMATE-FOCUSED INVESTMENT SOLUTIONS

The International Energy Agency published a report in May 2021 called [Net Zero by 2050](#). The report makes it clear the world needs to significantly increase its investments in low- and zero-carbon products and technologies if we are to have a chance at limiting global warming to 1.5 degrees Celsius by 2050.

While this is a challenge, it is also a massive opportunity for Canadian investors to participate in the transition to a low-carbon future. NEI was the first investment manager in Canada to offer a fund focused on resource optimization. Our suite of impact funds also supports the transition, among other environmental, social, and governance considerations.

We commit to:

- Continuing to review, enhance and grow our lineup of climate-focused investment solutions, providing opportunities for investors to support the transition to a low-carbon future according to their own financial and responsible investment objectives
- Setting interim targets in 2022 for assets under management, with a specific focus on assets in our Net-zero Accelerator funds*

* NEI is developing a three-tiered scheme to categorize all funds in our lineup. The working category names are Net-zero Accelerator, Net-zero Aligned, and Non-aligned. Net-zero Accelerator: funds with sub-advisors that have committed to achieving net zero by 2050 and are working with NEI on setting fund-level targets, and that invest primarily in climate-focused solutions (e.g., renewable energy, energy efficiency, circularity). Net-zero Aligned: funds with sub-advisors that have committed to achieving net zero by 2050 and are working with NEI on setting fund-level targets. Non-aligned: funds that may have an ESG mandate but otherwise do not meet the conditions above. The scheme is intended to be implemented in 2022.



4. POLICY, STANDARDS, AND COLLABORATIONS

Policy and standards

It is essential that we have the right policy frameworks in place if we are to have any chance of making a net-zero future a reality. Investment managers have a key role to play in urging governments and standard-setters to greatly increase their ambition. NEI's policy and standards work has been a focal point of our approach to responsible investment and remains critical to addressing systemic issues such as climate change. Over the past 15-plus years we have made more than 60 [climate-related submissions and public statements](#) on topics ranging from carbon pricing to enhancing climate-related disclosure, and from strengthening vehicle emission standards to conserving boreal forest carbon sinks.

Collaborations

As with corporate engagement, multi-stakeholder collaboration is a foundational element of our policy and standards work. We believe the complexity of the climate challenge demands the diverse perspectives that only a multi-stakeholder collaboration can provide. We are privileged to be active participants in the following collaborations:

- **Boreal Champions:** A group of Indigenous and non-Indigenous business leaders from across Canada committed to effective and long-lasting stewardship of Canada's boreal forest
- [Circular Economy Leadership Canada](#): A national organization dedicated to advancing the circular economy in Canada
- [Energy Futures Lab](#): An Alberta-based coalition of diverse innovators and leading organizations working to accelerate the transition to a more environmentally responsible energy system; we are active participants in the [Energy Futures Policy Collaborative](#) and the [LEAD Project](#)

We commit to:

- Continuing to play a lead role in publicly advocating for the creation of ambitious, net-zero aligned policies and standards
- Continuing to work with Canadian securities regulators on establishing climate-related corporate disclosure rules in line with the TCFD framework

Financial advisors are an integral part of Canada's investment ecosystem and NEI believes strongly in the value of advice. In 2020, we introduced an education program to help advisors integrate responsible investing into their practices. Now we see advisors playing an increasingly important role in helping fight climate change as more investors seek to participate in the transition to net zero.

We commit to:

- Enhancing our advisor education program in 2022 so that advisors can better understand the potential effects of climate change on their clients' portfolios, and then use that knowledge to guide their clients' investment decisions in line with their goals, time horizon, and risk tolerance

5. TRANSPARENCY AND REPORTING

Transparency is a core demand we make of the companies in our investment funds, and we believe it should likewise be a core component of all investment managers' climate strategies.

We commit to:

- Reporting annually on our progress against our climate strategy in alignment with the TCFD framework, beginning in 2022

We will continue to make our [Transparency](#) and Assessment reports from the Principles for

Responsible Investment (the PRI) available to the public, and to publicly disclose our [Proxy Voting Guidelines](#) and all [proxy voting decisions](#). We will also continue to provide [quarterly reports](#) on our corporate engagement and policy activities, and to produce our annual Focus List.

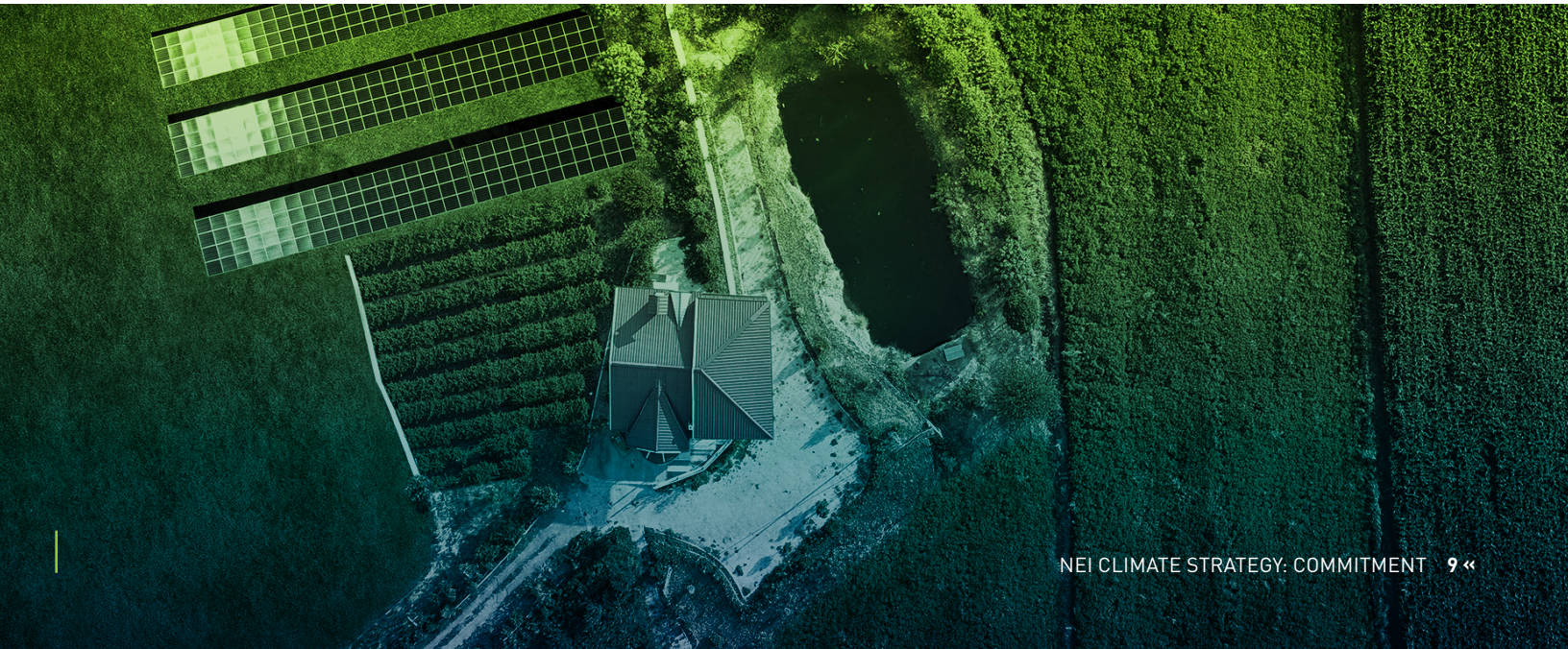
6. INTERNAL ALIGNMENT

While the primary tool for driving climate change improvements is through our investment holdings, we believe it is also important that we align the carbon footprint of our corporate operations to net zero.

We commit to:

- Undertaking in 2022 the work required to measure NEI's current emissions and carbon footprint and to set appropriate reduction targets aligned to net zero by 2050

- Investigating in 2022 innovative and effective financing mechanisms to offset NEI's existing emissions footprint and that of its parent company Aviso Wealth





WHAT'S NEXT?

We look forward to implementing these commitments and to helping our investors participate in this important journey to a low-carbon future.

NEI Climate Strategy: Commitment is the first of three planned documents we intend to share with you over the next fourteen months. Look for *NEI Climate Strategy: Implementation* to arrive mid-year 2022. Our third publication, *NEI Climate Strategy: Progress*, will be available at the end of the year, kicking off our annual climate reporting cycle.

We are confident the foundation of our climate strategy is a strong one—but we also recognize it will need to evolve. We welcome your feedback as we progress, and we ask that you hold us accountable to our commitments.

Need to get in touch?

Visit the [Contact Us](#) page of www.neiinvestments.com for contact details. We would be happy to hear from you. We also encourage you to ask your financial advisor about how responsible investment solutions from NEI can help you achieve your goals.

Are you a financial advisor?

NEI offers practice management resources focused on responsible investing, so you can help clients meet their financial goals while having a positive impact on society and the environment. Contact your NEI Representative to learn more.

STATEMENTS AND COLLABORATIONS

We are a signatory to many investor statements that align with our net-zero vision and show our support for enabling policy and corporate actions that will help us get there.

Investor collaboration is a key component of our strategy and a fundamental requirement for our PRI membership. The ability to mobilize trillions of dollars in assets under management to support key climate-related policy developments is a powerful tool for change.

A full list can be found on [the policy and standards page of our website](#), but some key investor statements include:

- Investor Statement on Global Biodiversity Framework
- Investor Statement on National Emission Reduction Targets for Agriculture
- The Investor Agenda Global Investor Statement to Governments on the Climate Crisis
- Investor Statement in Support of Ambitious Methane Regulation

Group name	NEI role	Date joined
Canadian Coalition for Good Governance	Member	2005
CDP (formerly the Carbon Disclosure Project)	Signatory	2006
Ceres	Member; active participant in the Carbon Asset Risk working group	2008
Circular Economy Leadership Canada	Founding member	2019
Climate Action 100+ (CA100+)	Co-lead on 2 engagements; active participant on 6 others	Inception 2017
Climate Engagement Canada	Founding participant	Inception 2021
Energy Futures Lab	Fellow; member of Leveraging Energy Assets for Diversification (LEAD) project and the Energy Futures Policy Collaborative	2019
Interfaith Center on Corporate Responsibility	Member; active participant in the Methane and Climate Change working groups	2006
International Corporate Governance Network	Member	2008
Principles for Responsible Investment	Various collaborations over time (e.g., Methane Collaboration, Oil and Gas Advisory Committee, Transition Collaboration, Investor Working Group on Corporate Climate Lobbying)	2006
Responsible Investment Association	Sustaining Member; Co-Chair Policy Stewardship Group	1999



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