

NEI

» DEMAND MORE. WE DO.

# PROXY VOTING REPORT 2022

*This report covers NEI's proxy voting activity from July 1, 2021, to June 30, 2022.*





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## ABOUT THIS REPORT

This report is comprehensive but not exhaustive. Certain company vote results and NEI vote rationale were selected to represent a range of topics and sectors. For our complete voting history, explore our Proxy Voting Dashboard here: <https://vds.issgovernance.com/vds/#/ODI3Mg==/>

All companies named in this report were held by NEI at the time of voting. Holdings may change at any time without notice.

Data sources: International Shareholder Services and public company filings and disclosures.

# INTRODUCTION

*We are proud to present our first annual proxy voting report, providing an in-depth look at our 2021/2022 proxy voting results and rationales.*

Proxy voting has been a pillar of our active ownership program from the start, though it hasn't always received the attention it deserves. Running a comprehensive, ESG-focused proxy voting program is a significant commitment that requires dedicated resources and an all-hands-on-deck approach from our team. Thoughtful voting decisions require time and rigour, as we cast our votes with the goal of advancing the ESG performance of our portfolio companies.

Corporate boards are ultimately responsible for the oversight of corporate strategy, which is why our vote matters—why every investor's vote matters. This is particularly true when it comes to oversight of corporate ESG strategies. It is no accident the corporate world's ESG leaders have boards of directors actively engaged in the oversight of ESG strategy.

It is a fascinating and no doubt challenging time to be a director, as boards are increasingly being asked by investors to consider stakeholder impacts and expectations in relation to issues as diverse and complex as human rights, climate change, and racial equity, while still being tasked with the traditional oversight of financial metrics and shareholder returns. It is also a fascinating time for investors, as we have seen ESG issues come to dominate many a ballot.

2022 saw the entrenchment of the 'new normal' for annual general meetings—namely, the growing tendency of shareholders to use the tool of shareholder resolutions and "vote no" campaigns to pressure boards, and the growing comfort of shareholders (even the largest, previously passive shareholders) in supporting those efforts. We voted more resolutions than ever in 2022, and a number of them received majority support from shareholders. It is worth noting how much of a sea change this is from the time we were filing our first proposal over 20 years ago. Even five years ago the odds of an environmental or social-themed proposal getting majority support were relatively slim. It has quickly become a regular occurrence: proposals with majority support now number in the double digits—even the dozens.

To be clear, proposals do not need to gain majority support to be effective. In other words, they do not necessarily need to pass. If a resolution achieves approximately 30% votes "for," that's a significant level of support from investors and can represent billions in capital asking for a company to act. Smart companies respond when they see this level of demand for change—and it's happening more and more.

In some cases, proposals do not even need to go to a vote to be effective. Investors regularly negotiate withdrawal conditions with companies that agree to the proposal's request—what we often call the proposal's "ask." The growing trend of investor support for ESG proposals means boards are increasingly likely to take this route to avoid a vote.

But not all ESG proposals are created equal. We vote against them for a variety of reasons. Perhaps we find the proposal overly prescriptive, or perhaps it's been rendered moot by the company's existing actions. It may be focused on a topic we deem immaterial, or written in such a way as to potentially be counter-productive to the issue. In cases where we strongly agree with the concerns raised by a filer but disagree with the proposed solution, we will use the abstain option instead of simply voting against the proposal (note that not all jurisdictions provide the option to abstain). Investors must perform the same level of due diligence in assessing the utility of shareholder proposals as they do with management's proposals.

In 2022 dominant themes such as climate change, political spending/lobbying, and diversity, equity and inclusion, featured prominently on proxy ballots. The most significant new trend came in the form of racial equity audits. The number of new proposals grew rapidly in 2022 and enjoyed sizable shareholder support. We also saw human rights-related resolutions grow substantially, reflecting increasing investor awareness—and unease—regarding human rights risks.

Support for climate-related proposals dipped overall. While the total number of proposals rose, most investors—including us—felt many were overly prescriptive. We do not view this as a drop in investor support for climate action as much as a course correction for filers to adapt their proposals. Possible proof of this lies in the continued strong support for resolutions asking for climate-related disclosures and targets. Additionally, the growth of “vote no” campaigns targeting specific directors for lack of effective climate oversight, and the increasing willingness of investors to vote against board members for this reason, indicates climate issues are on the ballot to stay.

A less welcome trend saw the growth of anti-ESG proposals filed by groups upset with the growing role of ESG in the corporate world. We voted against all such proposals and were heartened to see most investors did the same. It is telling that the most vocal opponents of these anti-ESG resolutions were the companies themselves. The ground has certainly shifted.

It has become clear that the typical board structure of 20 years ago, even of 10 years ago, would have difficulty encouraging a company to thrive in today’s complex environment. That is why we are increasingly focused on the makeup of the board itself: who are the people with ultimate accountability for these decisions? Diversity in all its forms, from gender and ethnicity to geography and experience, influenced our support for board nominees in 2021/2022, as did their independence.

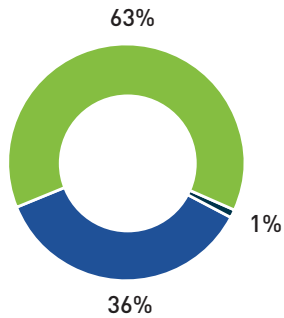
One issue that investors don’t appear to be giving appropriate weight to is excessive compensation. We believe there is such a thing as too much, and that excessive pay has negative implications at a corporate and societal level. While our ESG-focused approach to proxy voting sees us diverge from mainstream investors on many voting issues, nowhere is this gap wider than in the area of executive compensation. Of the 77 companies where we voted against the pay package because we felt it was too high, the average shareholder support was 83%.

While this is the first annual report of our proxy voting season, transparency has been a core tenet of our approach from the start. We were the first investment manager in Canada to disclose our proxy voting guidelines and one of the first to publicly disclose all our voting decisions and rationales. This report is a natural extension of that activity. Considering the demands for corporate disclosure, we believe investors such as ourselves should practice the same level of transparency.

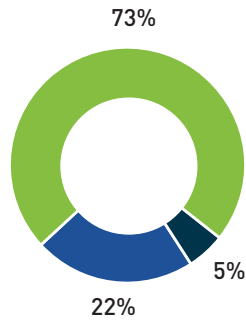
# RESULTS DASHBOARD

## Vote instruction by resolution type

Management proposals (10,743)



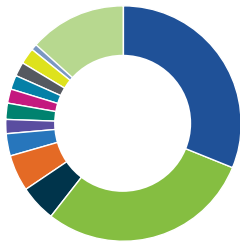
Shareholder proposals (429)



All proposals (11,172)	%
With management	62
Against management	38

- For
- Against
- Abstain

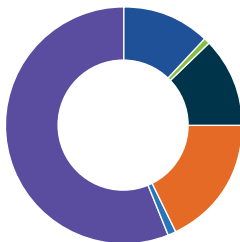
## Meetings voted by region



Region	%
U.S.	31
Canada	29
Japan	5
U.K.	5
Cayman Islands	3
France	2
India	2

Region	%
Germany	2
China	2
Switzerland	2
Netherlands	2
South Korea	1
Others	13

## Shareholder resolutions by theme



Theme	%	Category
Net-zero alignment	12	Environmental
Biodiversity	1	
Human rights	12	Social
Inequality	18	
Other	1	
Governance	56	Governance

# SHAREHOLDER RESOLUTIONS

## Human rights

We supported 40 of the 49 shareholder resolutions related to the theme of human rights. The total figure is more than double the number we voted on last year, with the increase primarily due to an overall increase in resolution volume on human rights topics. The two companies with the greatest number of human rights resolutions tabled were **Alphabet** and **Meta Platforms**, with seven and five respectively.

The resolutions we voted against fell into three main categories. Either the company had already demonstrated meaningful progress toward the resolution’s request; we did not believe the request for enhanced disclosure would provide much insight for stakeholders; or, the request seemed outside the scope of what the company could reasonably deliver on.

In the 4% of cases where we abstained, we generally agreed with the proponent’s concern but not necessarily with the suggested approach for addressing the issue.

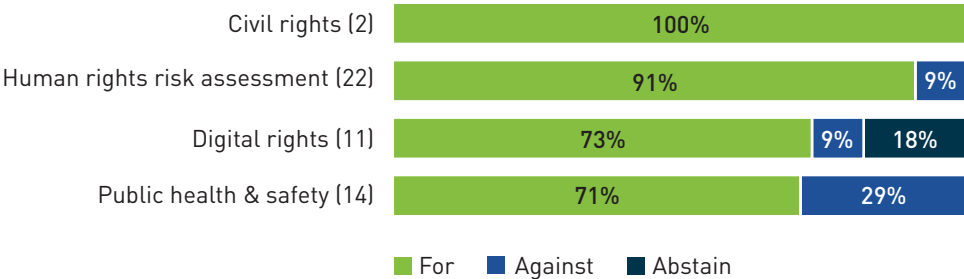
### Focus theme: Human rights

Numbers in (parentheses) = number of resolutions voted

#### All resolutions (49)



#### Topic breakdown



## Civil rights

	Resolution summary	NEI vote	Vote result	Context
<b>Alphabet</b>	Company asked to produce a report on policies regarding military and militarized agencies.	For	9% support	We believe more information on the company’s policies regarding customer due diligence for its military and militarized policing agency activities and their impacts on stakeholders, user communities, and the company’s reputation and finances would help shareholders assess management’s oversight of related risks.
<b>Travelers Companies</b>	Company asked to ensure policies do not support police violation of civil rights.	For	10% support	We feel that additional information on the company’s policies and practices designed to ensure its insurance products do not contribute to police brutality against minority populations would help shareholders assess management’s oversight of related risks.

## Digital rights

	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>Alphabet – NEI among three co-lead filers</b>	Company asked to conduct third-party human rights impact assessment related to misinformation and disinformation.	For	23% support	This was our second resolution filed at Alphabet in three years. While the resolution did not pass due to the dual class share structure that gives company insiders majority control over any vote, we are happy the majority of independent shareholders voted “yes.” This sends a strong message to the company that investors want change.
<b>Amazon</b>	Company asked to commission third-party report on risks associated with its cloud-based image software.	For	41% support	We believe it is crucial for the company’s long-term performance to implement a robust human rights due diligence process that includes assessing, preventing, mitigating, and remedying adverse human rights impacts resulting from its business operations. It is not clear the board has adequately considered the potential impact and risks related to facial recognition technology.
<b>Meta Platforms</b>	Company asked to improve transparency on risks of misinformation and impact on shareholders	For	19% support	We believe increased disclosure and greater transparency regarding risks related to misinformation and its potential business impacts would provide shareholders greater insight into how the company is managing these risks.
<b>Microsoft</b>	Company asked to end sales of facial recognition technology to government entities.	Abstain	4% support	While we share the proponent’s concern, the prescriptiveness of the proposal does not seem to advance corporate due diligence on facial recognition technology, which will continue to develop and will require active effort to be used in a rights-respecting way. We believe it is crucial for the company’s long-term sustainable performance to implement a robust human rights due diligence process that includes assessing, preventing, mitigating, and remedying adverse human rights impacts resulting from its business operations.

## Human rights risk assessment

	Resolution summary	NEI vote	Vote result	Context
<b>Nike – NEI among co-filers</b>	Company asked to conduct human rights impact assessment	For	28% support	We believe additional information regarding processes Nike uses to identify and assess human rights impacts in its operations would allow shareholders to better gauge how the company is managing human rights-related risks, specifically in relation to the ongoing human rights crisis in the Uyghur region.
<b>Apple</b>	Company asked to report on how policies and procedures protect supply chain workers from forced labour.	For	34% support	We were impressed with the scope of the resolution which, among other things, asked Apple to identify suppliers that are at risk of forced labour violations, the number of suppliers against which Apple has taken corrective action, and the availability and use of grievance mechanisms to compensate affected workers.
<b>Citigroup</b>	Company asked to report on policies that show respect for Indigenous peoples.	For	34% support	It is unclear to us whether Citigroup's policies, practices, and performance indicators are effective for respecting internationally recognized human rights standards for Indigenous peoples, especially in a corporate finance setting. We supported a similar resolution at <b>Wells Fargo</b> (26% support).
<b>Meta Platforms – NEI among co-filers</b>	Company asked to conduct a human rights impact assessment on targeted advertising policies and practices.	For	24% support	The level of support this resolution received was significant given the company's share structure, where owners and/or founders control the majority of voting shares.
<b>3M</b>	Company asked to report on operations in China.	Against	3% support	We felt the breadth of the request of the proposed report may not result in meaningful disclosure about how 3M was mitigating human rights risks in China. We voted against a similar resolution at <b>Verizon Communications</b> (5% support) for much the same reason.



## Public health and safety

	Resolution summary	NEI vote	Vote result	Context
<b>Lowe's</b>	Company asked to review risks and costs to company and workforce due to state policies restricting reproductive health.	For	32% support	This was a new topic that arrived in the wake of the U.S. Supreme Court decision to overturn Roe v. Wade, which gives states the power to set their own abortion laws. Similar resolutions focused on the affect on employees that we also supported were filed at <b>Walmart</b> (13% support) and <b>The TJX Companies</b> (30% support).
<b>Hormel Foods</b>	Company asked to disclose use of antibiotics in supply chain.	For	6% support	While we recognize the company's actions to reduce the use of antibiotics in its supply chain, given the systemic risk posed by antibiotics, we feel shareholders would benefit from more comprehensive disclosure about how Hormel plans to expand its policies throughout its meat supply chain.

Some proposals asked companies to report on external public health costs and the resulting impact on shareholders due to the sale of certain food and drink products. Proponents argued that chronic diseases thought to be linked to those products were detrimental to economic growth and threaten share value. We did not feel the request was something that could optimally be delivered on given the many determinants of chronic disease and public health. Companies facing such proposals included **CVS Health**, **PepsiCo**, and **The Coca-Cola Company**. No proposal received more than 14% support.

## Inequality

We voted on 78 resolutions connected to inequality. The resolutions were on the ballots of 56 companies, of which **Johnson & Johnson** had the most with five.

The resolutions addressed topics such as human capital, equitable access, equitable compensation, equity audits, disclosures of concealment clauses, and diversity, equity and inclusion. We supported 86% of the total resolutions and voted against the remaining 14% (no abstentions).

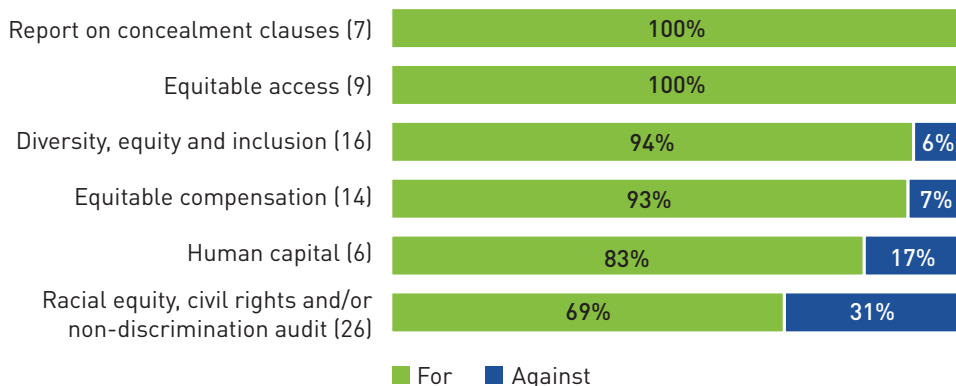
### Focus theme: Inequality

Numbers in (parentheses) = number of resolutions voted

#### All resolutions (78)



#### Topic breakdown



## Equitable access

	Resolution summary	NEI vote	Vote result	Context
<b>Johnson &amp; Johnson</b>	Company asked to report on government financial support and access to COVID-19 vaccines and therapeutics.	For	34% support	We acknowledge the current disclosure Johnson & Johnson has provided on COVID-19 vaccine pricing, but we believe shareholders would benefit from greater transparency on how public funding is taken into account when setting the price.
<b>Costco</b>	Company asked to produce a report on racial justice and food equity.	For	17% support	This was a new proposal for Costco. While we acknowledge the company's Report on Food Security, we felt the proposed report would help us better understand how Costco is integrating food security issues into its core food business, considering the implications for marginalized communities and the potential opportunities to improve access to healthy food.

## Human capital

	Resolution summary	NEI vote	Vote result	Context
<b>Activision Blizzard</b>	Company asked to produce a report on effort to prevent abuse, harassment and discrimination	For	<b>67% support</b>	We strongly believe shareholders would benefit from increased disclosure, due to the ongoing scrutiny over the company's sexual harassment and discrimination issues. We have been engaging Activision Blizzard directly on this topic.
<b>CVS Health</b>	Company asked to adopt paid sick leave policy for employees.	For	26% support	We believe implementation of this proposal would provide shareholders with greater assurance that the company's workforce has reasonable access to sick leave, which would provide consistent expectations given rising concerns around societal health. We supported a similar resolution at <b>The TJX Companies</b> (34% support).
<b>Kroger</b>	Company asked to report on risk exposure related to growing labour market pressure.	For	30% support	Additional information regarding the company's potential exposure to risks of increased labour market pressure would be beneficial to shareholders. We supported a similar resolution at <b>Restaurant Brands International</b> (14% support).

## Concealment clauses

	Resolution summary	NEI vote	Vote result	Context
<b>SunRun</b>	Company asked to report on impact of using concealment clauses.	For	<b>98% support</b>	The SunRun board supported the resolution, saying it felt its current practice was already aligned to the request. We supported similar resolutions at companies including <b>Alphabet, Amazon</b> and <b>IBM</b> , none of which passed, likely because management at those companies had recommended a vote against.

## Equitable compensation

	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>Tractor Supply</b>	Company asked to produce a report on the costs of low wages and inequality.	Against	15% support	We agreed with the proponents that income inequality poses a systemic risk and should be a priority in designing pay practices, and that Tractor Supply should build its effort in this area. But it was unclear whether the request, as framed, would have enabled the company to tackle the problem with the best view to long-term, sustainable success.
<b>Johnson &amp; Johnson</b>	Company asked to consider pay disparity between executives and other employees.	For	11% support	We consider CEO pay (US\$26.7 million in 2021) to be extremely excessive relative to U.S. median household income. One way to reduce pay disparity would be to consider the pay grades and/or salary ranges of all employees when setting the target compensation. Excessive pay disparities could pose risks to long-term shareholder value, impact employee morale and potentially hurt the company's standing in the communities where it operates.

## Diversity, equity and inclusion

	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>FedEx</b>	Company asked to produce a report on racism in their corporate culture.	For	12% support	We feel shareholders would benefit from additional information on this topic, allowing them to better measure the progress of the company's diversity and inclusion initiatives.
<b>Toromont</b>	Company asked to assess and disclose whether inclusion efforts align with standards developed by qualified Indigenous organizations.	For	<b>99% support</b>	We agreed that a report assessing whether the company's efforts align with standards developed by qualified Indigenous organizations would allow shareholders to better assess Toromont's diversity efforts and management of related risks and opportunities. One factor that contributed to the near-unanimous level of support was management's favourable recommendation.

## Racial equity, civil rights and non-discrimination audits

Since the 2021 proxy voting season, North American companies have received an increasing number of resolutions requesting audits to detect racial equity, civil rights or discriminatory issues. This year 23 companies in our holdings were targeted. While such a request is even more urgent at companies exposed to related controversies, companies may still be targeted even if they demonstrate some effort, as audits allow a company to assess the effectiveness of their practices. These proposals have gained strong support from investors, including NEI.

NEI supported resolutions for racial equity, civil rights and non-discrimination audits, all of which passed, at **Apple** (54% support), **Home Depot** (63% support) and **Johnson & Johnson** (63% support).

## Net-zero alignment

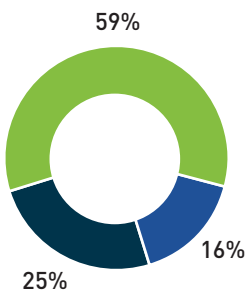
This year, we voted on 51 climate resolutions filed at 33 companies. Financial institutions were the most targeted (42% of resolutions) followed by energy companies (21%), consumer companies (20%) and other sectors. The vast majority of resolutions were at North American companies, although companies in Norway, Switzerland, Australia and the U.K. were also in the mix.

While the number of climate resolutions we voted on nearly doubled relative to the previous year, our overall support dropped to 59%. This reflected the challenge we had supporting resolutions that we deemed to be overly prescriptive or possibly counter-productive to the goal of addressing climate risks. We expect future resolutions will address these shortcomings and investor support will continue to grow.

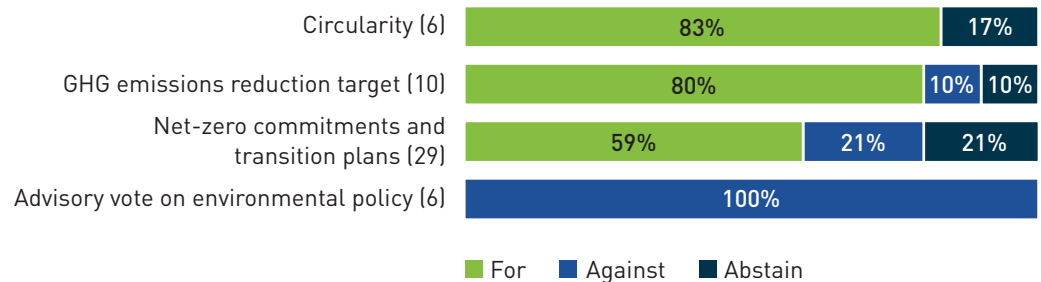
### Focus theme: Net-zero alignment

Numbers in (parentheses) = number of resolutions voted

#### All resolutions (51)



#### Topic breakdown



## Net-zero commitments and transition plans

With the race to net zero, companies are under mounting pressure to improve disclosure on their greenhouse gas (GHG) emissions not only from their direct operations but also from their value chain; to enhance transparency on their climate lobbying; and to demonstrate how they will navigate the transition to a low-carbon economy and achieve net zero. This topic represented over half of the total climate-related resolutions we voted on.

	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>Chubb</b>	Company asked to report on its effort to reduce the GHG emissions profile of its underwriting portfolio.	For	<b>72% support</b>	While the banking industry has increasingly been targeted due to its central role in financing the transition, emerging pressure on insurance companies is worth noting. We supported a similar resolution at <b>Travelers</b> (56% support).

Several resolutions filed at U.S. and Canadian banks had an explicit focus on the IEA's Net Zero Emissions by 2050 scenario. While we agreed with the filers that financing activities should align with a net-zero pathway, we abstained in five out of nine cases. We felt some resolutions were overly prescriptive about how the scenario should be used and may have misrepresented what aligning with the scenario could imply. The requests were often stated in a way that left little room for management to use their judgement and we questioned whether they would truly accelerate progress. No such resolution passed, receiving average support of 10%.

	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>UPS</b>	Company asked to produce a report on balancing climate measures with financial returns.	Against	10% support	It is unclear to us what value a report examining how the company's strategic decisions may affect shareholders would benefit those shareholders. The proponent's request implies there is a trade-off between addressing climate concerns and financial returns independent of each other.
<b>Equinor</b>	Company asked to discontinue all exploration and test drilling for fossil fuel resources.	Against	<1% support	We believe significant strategy decisions should be led by management, not shareholders. We also voted against four other climate resolutions tabled at Equinor, for similar reasons. None of them passed.

## GHG emissions reduction targets

We believe that setting robust GHG emissions reduction targets is a foundational step in developing a credible transition plan. We supported 80% of the proposals that encouraged increased rigour in planned or existing targets and alignment of corporate net-zero strategies with the Paris Agreement. Targeted companies included **Sysco Corporation, Dollar Tree, Brookfield Asset Management, JPMorgan Chase, Equinor, UPS, Enbridge** and **Costco**.

	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>Enbridge</b>	Company asked to strengthen its commitment to net zero with a science-based target.	For	23% support	We feel that introducing a science-based net-zero target would give shareholders a better understanding of the company's management and oversight of related risks.
<b>Dollar Tree</b>	Company asked to report on GHG emissions reduction targets aligned with the Paris Agreement.	For	<b>55% support</b>	We believe it would be prudent for the company to consider how it can align its climate strategy with the Paris Agreement.
<b>Shell</b>	Company asked to provide GHG emissions reduction targets, including absolute scope 3 targets.	Abstain	20% support	We did not see how the request was materially different from what the company had already announced. We were also concerned about the potential of unintended consequences regarding scope 3 targets, as we have seen negative real-world impacts within this sector such as divestment of heavy-emitting assets to less responsible firms. We feel it's a nuance better suited to direct engagement and dialogue.

## Circularity

	Resolution summary	NEI vote	Vote result	Context
<b>Metro</b>	Company asked to produce an action plan to achieve zero plastic waste by 2030.	For	30% support	We support the food retailer's commitment to 100% recyclable and compostable plastics by 2025, but we would encourage the company to work with other industry actors, including suppliers, to find sustainable solutions for the pervasive nature of plastics.
<b>Amazon – NEI among co-filers</b>	Company asked to produce a report on its effort to reduce plastics use.	For	49% support	Independent shareholder support for this resolution came in at approximately 59%, which sends an exceptionally strong message to Amazon that investors are committed to driving change around this topic. We rank this as a significant achievement. A similar resolution was filed at <b>Kroger</b> (38% support).
<b>Laurentian Bank</b>	Company asked to produce a report on loans made in support of the circular economy.	For	14% support	We agreed with proponents that banks should track and report such loans despite a lack of standardized methodology, and it has not been clear to us what actions Laurentian has taken to support the circular economy. We abstained from a similar resolution filed at <b>RBC</b> (18% support), because we find the bank has already demonstrated genuine effort.



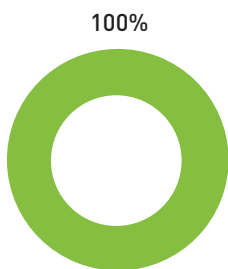
## Biodiversity

We voted on four resolutions addressing issues of biodiversity, as it remains a relatively new topic of shareholder concern. More resolutions are expected in the coming years given the growing systemic risks of biodiversity loss, particularly in relation to climate change. We supported all four proposals, which we divided into two topics: deforestation, and impact and dependency assessment.

### Focus theme: Biodiversity

Numbers in (parentheses) = number of resolutions voted

#### All resolutions (4)



#### Topic breakdown



### Impact & dependency assessment

	Resolution summary	NEI vote	Vote result	Context
<b>Alphabet</b>	Company asked to report on efforts and metrics used to reduce water-related risks.	For	23% support	We believe shareholders would benefit from increased disclosure about how the company is managing climate-related water risks.
<b>Metro</b>	Company asked to specify in a code of conduct its requirements for suppliers' commitments to preserve biodiversity.	For	37% support	Although Metro already encourages suppliers to preserve biodiversity in its supplier code of conduct, we believe the company should strengthen these requirements and explain the support it can provide to meet the enhanced expectations.
<b>RBC</b>	Company asked to avoid participation in pollution-intensive asset privatizations.	For	7% support	While we recognize the steps RBC has taken to move away from financing polluting assets and we do not necessarily think all asset privatizations are negative, we agreed with the proponent's concerns. We feel we do not have enough information on the effectiveness of the bank's current risk management system.

## Deforestation

	Resolution summary	NEI vote	Vote result	Context
<b>Home Depot</b>	Company asked to report on efforts to eliminate deforestation in its supply chain.	For	<b>65% support</b>	We believe shareholders would benefit from additional information on the company's strategy to manage its supply chain's impact on deforestation.

## Governance

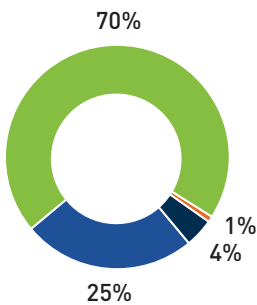
Similar to past years, the number of governance resolutions remained high. We supported 70% of the 242 resolutions we voted on. On a sector basis, governance resolutions were more predominant among technology, consumer, finance, and health care companies, with the real estate and utilities sectors at the low end.

When we look at individual companies with the greatest number of resolutions filed, we see that Italy-based renewable energy firm **ERG** had the most at six, while **Alphabet**, **Meta Platforms**, **Laurentian Bank**, **Amazon**, and another Italy-based firm, fashion brand **Moncler**, had five apiece.

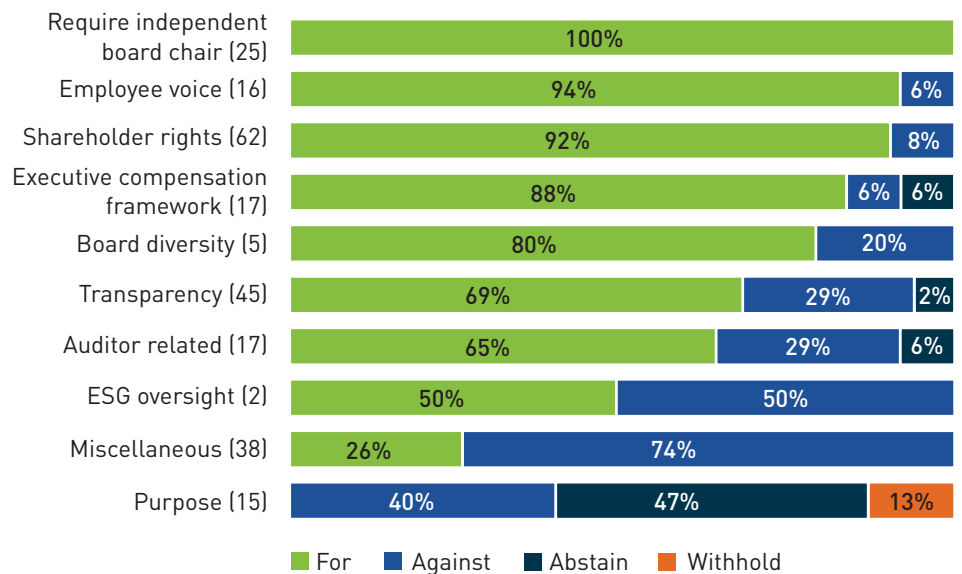
### Governance resolutions

Numbers in (parentheses) = number of resolutions voted

#### All resolutions (242)



#### Topic breakdown



## Transparency

Resolutions on this topic were geared toward enhancing disclosure on companies' charitable contributions and political lobbying, as well as tax practices. In cases where we voted against, in addition to not finding significant concerns about companies' current disclosures regarding charitable contributions, we felt they were providing sufficient information to evaluate the potential risks and benefits of the contributions.

	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>Delta Air Lines</b>	Company asked to produce a report on policies governing direct and indirect lobbying.	Abstain	28% support	While we see the value of enhanced disclosure, we did not identify significant gaps at Delta. We note the company released its inaugural climate lobbying report, which helped mitigate our concern regarding the lobbying activities' alignment with Delta's corporate values.

## Purpose

We saw continued momentum in the trend of shareholders questioning companies' purpose and how they balance the interests of all stakeholders, not just shareholders. One interesting reversal we identified was that the ratio of resolutions filed in Canada versus the U.S. was heavily tilted to Canada last year, compared to the year prior, when more resolutions were filed at U.S. firms.

Generally, these resolutions received little support from shareholders. In fact, we did not support a single one. While we do expect companies to align their purpose with broader stakeholder interests and to assign oversight of that work to the board, we felt that for various reasons (some explained in the examples below) the resolutions filed would not have improved matters.

	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>BCE</b>	Company asked to become a public benefit corporation.	Against	2% support	We felt the request conflicted with the regulatory environment in which the company operates. Similar resolutions that we also voted against were filed at <b>Laurentian Bank, National Bank, Cascades, iA Financial</b> , and <b>JPMorgan Chase</b> , all of which received less than 6% support.
<b>Cascades</b>	Company asked to clarify its commitment to its purpose.	Against	5% support	We felt the company was already aligned with the spirit of the Business Roundtable Statement on the Purpose of a Corporation. We also felt that oversight of the companies' purpose was already incorporated in the board's mandate. A similar resolution that we also voted against was filed at <b>Laurentian Bank</b> (6% support).

## Employee voice

We voted on 16 resolutions related to amplifying the voice of the employee. Almost half were filed at technology companies including **Alphabet**, **Activision Blizzard**, **CGI**, and **Automatic Data Processing**, and some were filed at consumer names including **Walmart** and **Procter & Gamble**. We voted in favour of all such resolutions except for one (see below), as we believe that introducing or improving employee participation at the board level is generally beneficial for companies and would enable more robust oversight of employee concerns. None of these resolutions passed; however, those filed at **Amazon** and Walmart received 22% and 13% support respectively.

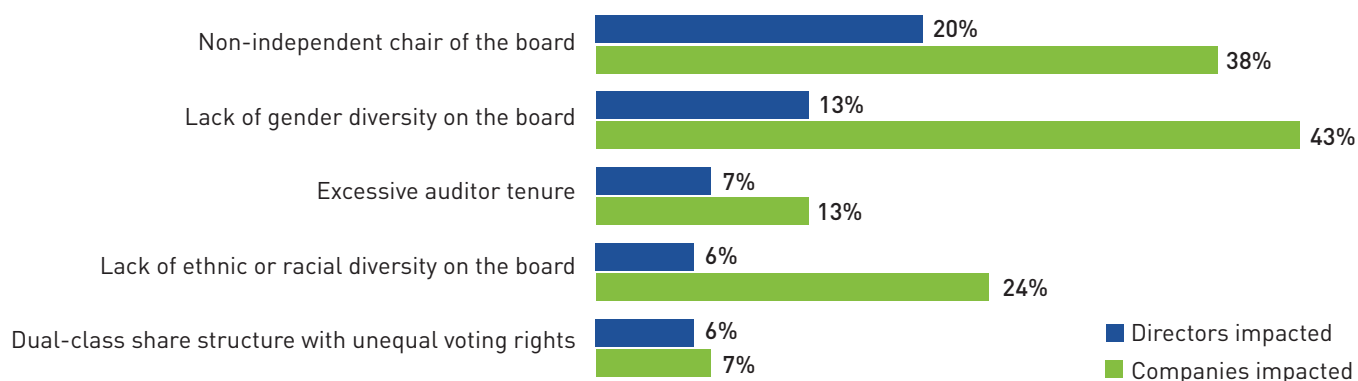
	<b>Resolution summary</b>	<b>NEI vote</b>	<b>Vote result</b>	<b>Context</b>
<b>Cogeco</b>	Company asked to include employee representation in highly strategic decisions.	Against	<1% support	We felt the current structure for addressing employee concerns was adequate and that the absence of controversies around human capital issues indicates the company is already doing the right things.

# DIRECTOR ELECTIONS

Good governance practices are fundamental for boards of directors to fulfill the role of overseeing management and balancing the interests of stakeholders. Factors that contribute to good governance include independent leadership, balanced composition, structure, and the perspective, skill, and decision-making capabilities of individual directors. When we feel certain factors are lacking, we may vote against directors according to our guidelines.

## Top 5 reasons for voting against directors

### Companies and directors impacted by NEI (% of total votes against)



### 1. Non-independent chair of the board

We consider the separation of powers between the board and the corporation to be a fundamental good governance practice. We believe that having independent leadership is important to align with the interests of stakeholders, including shareholders. It's especially important the role of chair is not combined with that of chief executive officer.

Large companies that have a non-independent chair usually appoint a lead independent director, but we do not believe such a structure goes far enough. When there is a non-independent chair, our guidelines stipulate that we not only vote against them (or withhold our vote where applicable), we also vote against the nominating committee members. This season we voted against the nomination of 20% of directors in 38% of meetings. Nearly 60% of non-independent chairs sat in U.S.-based companies and over 30% were in Canada. Companies in the industrial and information technology sectors had the highest concentration of non-independent chairs.

### 2. Lack of gender diversity on the board

We are constantly evolving our diversity expectations as we see more women serving on boards. In 2022 we lifted our expectation for companies in Anglo markets (Canada, U.S., U.K., Australia, Ireland) to have at least 40% women on the board, up from 30% in 2021. That guidance led us to vote against nominating committee members at 43% of meetings.

### 3. Excessive auditor tenure

Rotation of auditors ensures unbiased and uncompromised opinion about a company's financial statements. In North America there is no regulatory requirement to rotate auditors, while in Europe, audit firm rotation is mandatory.

When assessing auditor ratification, we examine both tenure and fee structure. We consider auditor tenure in Canada and the U.S. to be "excessive" when it exceeds 25 years, in which case we would vote against ratification. We consider it to be "extremely excessive" when tenure is more than 50 years. In these instances,

we would also vote against the incumbent members of the audit committee. We found cases of extremely excessive auditor tenure at 13% of meetings we voted, affecting 7% of directors, predominantly in the U.S. Rotating audit partners is not sufficient to mitigate our concern about tenure, as the extended professional relationship may undermine auditor independence.

#### **4. Lack of racial or ethnic diversity on the board**

In 2021 we implemented guidance calling for at least one racially or ethnically diverse director on the board, and in 2022, we raised our expectation (in the U.S.) to two. Due to the lack of voluntary disclosure from companies on these data points, we may rely on the physical appearance of racial or ethnic diversity of board members when casting our vote. This approach is not ideal, but we felt it was important to take a strong position in the context of systemic racism. It is heartening to see that more firms are beginning to disclose diversity data beyond gender, and we continue to engage companies in our feedback-on-proxy campaign to explain our rationale and to encourage change.

#### **5. Dual-class share structure with unequal voting rights**

We support the principle of one share, one vote. Several companies use multiple voting rights as a protection measure for hostile takeovers and to maintain control over decision-making. We believe that such dual-class structures may promote poor governance practices and hinder the ability of other shareholders to influence even the most obvious and important changes.

To address the problem of unequal voting rights, we typically vote against all but new board members. This happened at more than 50 companies. We may make exceptions for companies that have a sunset provision on their dual-class structure, or that have sound governance practices that include open dialogue with shareholders.

#### **Board oversight of climate risk**

While it did not make the top five, we feel it's important to call out a relatively new and evolving aspect of our proxy voting focus, and that is climate change. Our guidelines prompt us to vote against the chair of the board at companies in high-risk sectors where we have significant concerns the company lacks a credible strategy to mitigate risk. This year we voted against the chair at 23 companies. At **Chubb, JPMorgan Chase, Kinder Morgan, and Wells Fargo**, we also voted against the chair of the risk committee because we felt their climate strategies were exceptionally weak. In contrast, companies that we feel have adequate if not very good climate strategies include **Schneider Electric**, engineering firm **Stantec**, and Denmark-based energy firm **Orsted**.

## Pre-AGM campaign

Every year we run a campaign to engage companies where we own at least 1% of outstanding shares. Our goal is to reach these small cap Canadian firms, some of which are family-owned, before their annual general meeting so we can help them prepare for how we intend to vote, and determine if there are steps they can take to improve their governance practices and ESG factors. This is a proactive effort to better understand the specific context of these firms. It provides an opportunity to recognize their progress and discuss ongoing concerns. In many cases, the information we gather and the responsiveness of the company will lead us to vote a certain way.

We reached out to 82% of companies—18 names—in what we call our 1% club. The remaining three companies had relatively good governance and we did not see the need to meet ahead of their AGMs.

Most companies were responsive to our outreach. The top concerns we raised included non-independent board chair, lack of lead independent director, absence of say-on-pay vote, excessive board tenure, lack of a climate risk assessment, and poor board diversity. While there has been some progress on gender, our concern over racial or ethnic diversity remains high.

We appreciate the time and effort these companies put into responding to our inquiries, and we are encouraged by their interest and commitment to improvement.

<b>Company</b>	<b>Sector</b>
Cogeco	Communication Services
A&W Revenue Royalties Income Fund	Consumer Discretionary
Leon's Furniture	Consumer Discretionary
Martinrea International	Consumer Discretionary
Winmark Corporation	Consumer Discretionary
Lassonde Industries	Consumer Staples
Freehold Royalties	Energy
Pason Systems	Energy
Secure Energy Services	Energy
E-L Financial Corp	Financials
GDI Integrated Facility Services	Industrials
Logistec	Industrials
Transcontinental	Industrials
Evertz Technologies	Information Technology
Information Services	Information Technology
Stella Jones	Materials
Winpak	Materials
Melcor Developments	Real Estate

# ADVISORY VOTES ON EXECUTIVE COMPENSATION

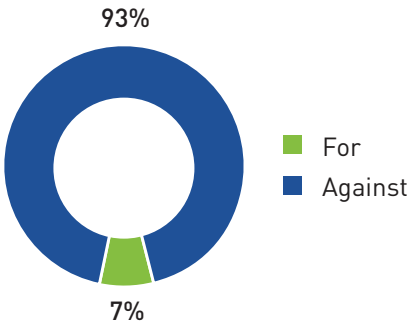
We voted against 93% of the 422 companies' advisory votes on executive compensation in Canada and the U.S. Reasons included concern over pay equity, poor linkage between pay and performance, and limited disclosure on incentive plans. Lack of disclosure on the compensation framework, including on the compensation metrics, targets and thresholds, prevents us from adequately assessing the rigour of a company's overall compensation framework. This issue alone impacted 56% of say-on-pay resolutions we voted on in North America.

Pay equity concerns continue to be one of the main reasons for voting against compensation packages. In extreme cases, we also vote against compensation committee members.

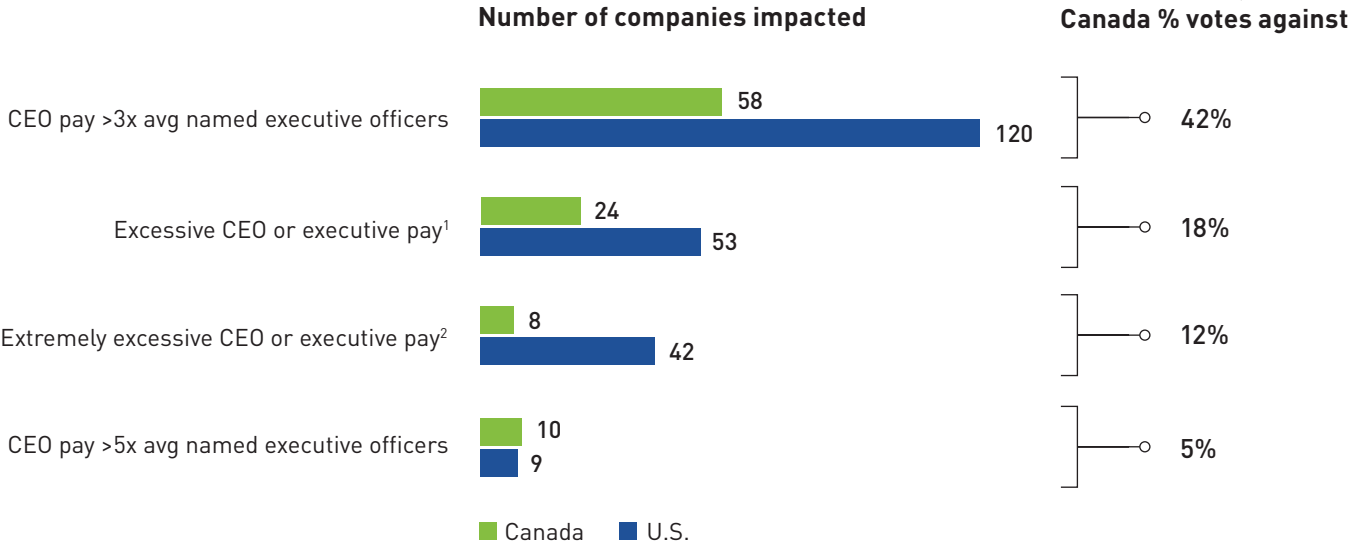
## Say-on-pay

### Summary results

#### Vote instruction (422 total votes)



### Top pay equity concerns



<sup>1</sup> 120x to 190x median household income in Canada; 280x to 375x in U.S. <sup>2</sup> >190x median household income in Canada; >375x in U.S. Source for median household income in Canada and the U.S. is Statistics Canada and the U.S. Census Bureau, respectively.



## A closer look

To assess pay equity we review several factors. We compare executive pay with the pay of peers; with that of the average named executive officers (NEOs) in the company; and with that of the second highest paid executive at the company. We voted against pay packages at nearly half the companies when considering how much the highest paid executive is compensated compared to average NEO pay. When the ratio exceeded five times, we also voted against the compensation committee members.

We also review executive pay within the broader societal context, using median household income as a reference point. The table below provides a snapshot of what we saw the past voting season.

In reviewing the results, we can see the pay packages at only three of the 77 companies we considered to have excessive pay failed to receive majority support from shareholders, at **CME**, **Agnico Eagle Mines** and **Centene Corporation**. At companies with extremely excessive compensation, there were five failed packages out of 50: **CenterPoint Energy**, **Netflix**, **JPMorgan Chase**, **Intel**, and **ServiceNow**. The average support in both cases was roughly 83%.

It's important to understand two things. First, say-on-pay votes take place after compensation has been awarded. Second, say-on-pay votes are non-binding—they are advisory votes only. In other words, a pay package that fails to receive majority support from shareholders typically has no technical effect on past compensation, unless it is clawed back by the board, which happens only rarely. But even a say-on-pay vote that receives less than 80% support sends a strong message that investors are unhappy with pay levels and can be damaging to a company. Under such conditions, companies are expected to take corrective action regarding compensation.

While investor support for excessive pay packages drops every year, the pace is alarmingly slow. Given the growing systemic risks of income inequality, the results speak to the difficulty of curbing this issue.

Country	Median household income	Excessive pay			Extremely excessive pay		
		Multiplier	Threshold	No. companies	Multiplier	Threshold	No. companies
U.S.	\$68,703	280x-375x median	\$18.9M	53	375x median	\$25.3M	42
Canada	\$90,390	120x-190x median	\$10.8M	24	190x median	\$17.1M	8

Source for median household income in Canada and the U.S. is Statistics Canada and the U.S. Census Bureau, respectively. Thresholds are set based on our 2022 Proxy Voting Guidelines, which are updated annually.

# CONSIDERATIONS FOR 2023

## On climate and biodiversity

- We expect proponents of climate resolutions to adapt their approaches to be more nuanced, less prescriptive.
- We expect to see more resolutions asking banks and insurance companies to:
  - disclose their client engagement strategy
  - explain how they evaluate the transition plans of their clients, especially in high-emitting sectors
  - describe the processes in place to ensure their clients are transitioning effectively
- We expect to see more resolutions related to transition plans as investors ask companies to explain exactly how they plan to thrive during the energy transition and how they plan to meet their emissions reduction targets; we also expect more resolutions asking for science-based targets.
- We expect investors will continue to focus on scope 3 emissions in the energy sector by asking for disclosures and/or targets; the International Sustainability Standards Board's decision to include scope 3 in its disclosure expectations will likely embolden more filers.
- We expect more resolutions focused on methane, given its importance to the oil and gas industry.
- We expect more investors to question the degree to which climate risks are being accounted for in audited financial statements, and to hold the auditor and audit committee accountable.
- We expect more shareholders will vote against board directors for perceived lack of oversight of climate-related risks; indeed, we anticipate increasing our own use of this tactic.

- We expect more resolutions related to biodiversity as shareholders solidify their thinking and identify concrete actions companies can and should be taking, especially now that a global framework has been agreed to (at COP15 in December 2022).
- To our dismay, we expect to see more proposals from anti-ESG groups seeking to undermine company progress and/or question the benefits of ESG actions.

## On human rights and inequality

- We expect the trend of strong support for racial equity, civil rights, and non-discrimination audits to continue.
- We expect human rights due diligence to remain at the forefront of shareholders' minds, with many companies falling short of adequate disclosure.
- We expect shareholders to raise their expectations for board diversity beyond gender, as we intend to do.
- We may see more resolutions aimed at curbing anti-competitive practices among pharmaceutical companies, with the goal of improving access to and affordability of medicines.
- We may see more resolutions aimed at supporting the transfer of COVID-19 vaccine technology to a greater number of vaccine producers to maintain or increase access and affordability.

## APPENDIX A: VOTE SUMMARY BY FUND

Funds (alphabetical order)	No. meetings voted	No. items voted	Votes against management	Votes with management
NEI Canadian RS Equity Fund	37	523	47%	53%
NEI Canadian Small Cap Equity Fund	33	328	47%	53%
NEI Canadian Small Cap Equity RS Fund	37	389	46%	54%
NEI Canadian Dividend Fund	66	995	42%	58%
NEI Canadian Equity Fund	51	645	54%	46%
NEI Canadian Equity Pool	32	424	47%	53%
NEI Clean Infrastructure Fund	20	240	25%	75%
NEI Emerging Markets Fund	87	685	20%	80%
NEI Environmental Leaders Fund	49	734	30%	70%
NEI ESG Canadian Enhanced Index Fund	217	2559	48%	52%
NEI Global Dividend RS Fund	177	2834	36%	64%
NEI Global Equity Pool	88	1395	39%	61%
NEI Global Equity RS Fund	104	1452	36%	64%
NEI Global Growth Fund*	67	810	37%	63%
NEI Global Value Fund	24	323	51%	49%
NEI Growth & Income Fund	28	343	43%	57%
NEI International Equity RS Fund**	42	767	10%	90%
NEI U.S. Equity RS Fund	65	919	61%	39%
NEI U.S. Dividend Fund	52	742	59%	41%

Proxy voting is an activity applicable only to equity securities. We report proxy voting activity only for our standalone equity funds. We do not report proxy voting activity for equity securities held in the exchange-traded funds we invest in.

\*NEI Global Equity Fund was renamed NEI Global Growth Fund on November 15, 2021.

\*\*NEI International Equity Fund was merged into NEI International Equity RS Fund in August 2021; its proxy voting records have also been merged.

## APPENDIX B: INDEX OF COMPANIES NAMED

Companies were held by NEI at the time of voting. Holdings are subject to change without notice.

Company	Page(s)	Fund(s)
3M Company	7	NEI Global Dividend RS Fund
A&W Revenue Royalties Income Fund	22	NEI Canadian Small Cap Equity RS Fund
Activision Blizzard	10, 19	NEI Canadian Dividend Fund
Agnico Eagle Mines	24	NEI ESG Canadian Enhanced Index Fund
Alphabet	5, 6, 10, 16, 17, 19	NEI Canadian Dividend Fund; NEI Canadian Equity RS Fund; NEI Global Equity RS Fund; NEI Global Growth Fund
Amazon	6, 10, 15, 17, 19	NEI Global Dividend RS Fund; NEI Global Equity Pool; NEI Global Equity RS Fund; NEI Global Growth Fund; NEI U.S. Equity RS Fund
Apple	7, 12	NEI Global Equity Pool; NEI Global Equity RS Fund; NEI U.S. Equity RS Fund
Automatic Data Processing	19	NEI Global Dividend RS Fund; NEI Global Equity Pool; NEI U.S. Equity RS Fund
Brookfield Asset Management	14	NEI Canadian Equity Fund; NEI Canadian Equity Pool; NEI Canadian Equity RS Fund; NEI ESG Canadian Enhanced Index Fund; NEI Growth & Income Fund
Cascades	18	NEI ESG Canadian Enhanced Index Fund
Centene Corporation	24	NEI Canadian Dividend Fund
CenterPoint Energy	24	NEI U.S. Equity RS Fund
CGI	19	NEI Canadian Equity Pool; NEI Canadian Equity RS Fund
Chubb	13, 21	NEI Global Dividend RS Fund; NEI Global Equity RS Fund; NEI U.S. Dividend Fund
Citigroup	7	NEI Canadian Equity Fund; NEI Global Equity RS Fund
CME Group	24	NEI Global Equity Pool; NEI U.S. Equity RS Fund
Cogeco	19, 22	NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund
Costco	9, 14	NEI Global Dividend RS Fund
CVS Health	8, 10	NEI Global Dividend RS Fund
Delta Air Lines	18	NEI Global Equity RS Fund
Dollar Tree	14	NEI Canadian Dividend Fund
E-L Financial	22	NEI Canadian Small Cap Equity RS Fund
Enbridge	14	NEI Canadian Equity RS Fund; NEI ESG Canadian Enhanced Index Fund

<b>Company</b>	<b>Page(s)</b>	<b>Fund(s)</b>
Equinor	13, 14	NEI Global Dividend RS Fund; NEI Global Equity Pool
ERG	17	NEI Clean Infrastructure Fund
Evertz Technologies	22	NEI Canadian Small Cap Equity RS Fund
FedEx	11	NEI Global Equity RS Fund
Freehold Royalties	22	NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund
GDI Integrated Facility Services	22	NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund
Hormel Foods	8	NEI Global Dividend RS Fund
iA Financial Corporation	18	NEI Canadian Equity Pool; NEI Canadian Equity RS Fund; NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
IBM	10	NEI Global Equity RS Fund; NEI Global Dividend RS Fund
Information Services	22	NEI Canadian Small Cap Equity RS Fund
Intel	24	NEI Global Value Fund
Johnson & Johnson	9, 11, 12	NEI Canadian Equity RS Fund; NEI Global Equity Pool; NEI U.S. Equity RS Fund
JPMorgan Chase	14, 18, 21, 24	NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI Global Equity Pool; NEI U.S. Equity RS Fund
Kinder Morgan	21	NEI U.S. Dividend Fund
Lassonde Industries	22	NEI Canadian Small Cap Equity RS Fund
Laurentian Bank of Canada	15, 17, 18	NEI Canadian Dividend Fund; NEI ESG Canadian Enhanced Index Fund
Leon's Furniture	22	NEI Canadian Small Cap Equity RS Fund
LOGISTEC Corporation	22	NEI Canadian Small Cap Equity RS Fund
Lowe's Companies	8	NEI Global Value Fund
Martinrea International	22	NEI ESG Canadian Enhanced Index Fund
Melcor Developments	22	NEI Canadian Small Cap Equity RS Fund
Meta Platforms	5, 6, 7, 17	NEI Canadian Equity Fund; NEI Global Equity Pool; NEI Global Value Fund; NEI U.S. Equity RS Fund
Metro	15, 16	NEI Canadian Equity Pool; NEI Canadian Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
Microsoft	6	NEI Environment Leaders Fund; NEI Global Dividend RS Fund; NEI Global Equity Pool; NEI Global Equity RS Fund; NEI Global Growth Fund; NEI U.S. Equity RS Fund
Moncler	17	NEI Global Dividend RS Fund

<b>Company</b>	<b>Page(s)</b>	<b>Fund(s)</b>
National Bank of Canada	18	NEI Canadian Equity Pool; NEI ESG Canadian Enhanced Index Fund
Netflix	24	NEI Global Growth Fund
Nike	7	NEI Global Growth Fund
Orsted	21	NEI Environment Leaders Fund; NEI Clean Infrastructure Fund
Pason Systems	22	NEI Canadian Equity Fund; NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund; NEI Growth & Income Fund
PepsiCo	8	NEI Global Dividend RS Fund; NEI U.S. Dividend Fund
Procter & Gamble	19	NEI Global Equity RS Fund; NEI U.S. Equity RS Fund; NEI Global Dividend RS Fund; NEI Global Equity Pool
Restaurant Brands International	10	NEI Canadian Equity Pool; NEI ESG Canadian Enhanced Index Fund
Royal Bank of Canada	(as 'RBC') 15, 16	NEI Canadian Equity Fund; NEI Canadian Equity RS Fund; NEI ESG Canadian Enhanced Index Fund; NEI Global Equity Pool
Schneider Electric	21	NEI International Equity RS Fund; NEI Environment Leaders Fund; NEI Global Equity Pool
Secure Energy Services	22	NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
ServiceNow	24	NEI U.S. Equity RS Fund
Shell	14	NEI Canadian Dividend Fund; NEI Global Equity Pool; NEI U.S. Equity RS Fund
Stantec	21	NEI Canadian Small Cap Equity RS Fund; NEI Canadian Equity Pool; NEI ESG Canadian Enhanced Index Fund
Stella-Jones	22	NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
SunRun	10	NEI Clean Infrastructure Fund
Sysco Corporation	14	NEI U.S. Dividend Fund
The Coca-Cola Company	8	NEI Global Dividend RS Fund; NEI Global Equity Pool; NEI U.S. Equity RS Fund
The Home Depot	12, 17	NEI Global Dividend RS Fund; NEI Global Equity Pool; NEI U.S. Equity RS Fund
The Kroger Co.	10, 15	NEI Canadian Dividend Fund; NEI Global Dividend RS Fund; NEI U.S. Dividend Fund
The TJX Companies	8, 10	NEI Global Equity RS Fund

<b>Company</b>	<b>Page(s)</b>	<b>Fund(s)</b>
The Travelers Companies	6, 13	NEI Global Dividend RS Fund; NEI Global Equity RS Fund
Toromont Industries	11	NEI Canadian Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
Tractor Supply Company	11	NEI Global Dividend RS Fund; NEI Global Value Fund
Transcontinental	22	NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
UPS	13, 14	NEI U.S. Dividend Fund
Walmart	8, 19	NEI Global Equity Pool; NEI U.S. Equity RS Fund
Wells Fargo	7, 21	NEI Canadian Dividend Fund
Winmark	22	NEI Canadian Small Cap Equity RS Fund
Winpak	22	NEI Canadian Equity Pool; NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund



# NEI

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