

**Annual Report of the Independent Review Committee**  
**of the NEI Investments Funds**

November 16, 2023

**Independent Review Committee Annual Report to Securityholders in the NEI Investments Funds (the “Funds”) set out at the end of this report.**

Dear Investor:

In accordance with **National Instrument 81-107 Independent Review Committee for Investment Funds** (“NI 81-107” or the “Instrument”), the Independent Review Committee (the “IRC”) for all of the Funds managed by NEI Investments<sup>1</sup> (the “Manager”) has functioned in accordance with the applicable securities laws, including the Instrument, which requires that an IRC be composed of at least three individuals, each of whom must be independent of the Funds, the Manager and each entity related to the Manager (as defined in the Instrument).

The IRC is pleased to publish its Annual Report to securityholders, covering the period from October 1, 2022 to September 30, 2023 (“the Reporting Period”).

**Mandate of the IRC**

In accordance with the Instrument, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, to develop written policies and procedures guiding its management of those conflicts and to request input from the IRC on those written policies and procedures.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of any such conflict-of-interest matter to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC is to provide a recommendation to the Manager as to whether, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict-of-interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict-of-interest matter to the IRC. In those cases, it has sought to ensure that the Manager’s

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<sup>1</sup> Northwest & Ethical Investments L.P., operating through its general partner, Northwest & Ethical Investments Inc., carrying on business as NEI Investments.

proposed course of action represents a fair and reasonable result for each of the relevant Funds.

The IRC has engaged Independent Review Inc. to assist it in its duties in accordance with the provisions of the Instrument and the IRC's Written Charter, to provide certain administrative and record keeping functions, and to act as the IRC's independent secretariat.

### **Composition of the IRC**

The current members of the IRC, and their principal occupations, are as follows:

<b>Name and municipality of residence</b>	<b>Principal Occupation</b>	<b>Term of Office</b>
Michele McCarthy, Toronto, Ontario	President, McCarthy Law Professional Corp., and President Independent Review Inc.	Initial appointment effective November 6, 2019.  Renewed effective October 1, 2022, until September 30, 2025.
W. William Woods, Toronto, Ontario	Consultant, Independent Director, former CEO of Bermuda Stock Exchange	Initial appointment effective October 1, 2015  Renewed effective October 1, 2021, until September 30, 2024.
Marie Rounding (Chair) Toronto, Ontario	Counsel, Gowling WLG (Canada) LLP (retired) and Corporate Director	Initial appointment effective October 1, 2014.  Retired effective September 30, 2023
Caroline Cathcart	Consultant, Independent Director	Initial appointment effective October 1, 2023

Marie Rounding retired effective September 30, 2023. On July 26, 2023, the IRC met and in accordance with its succession plan, selected Caroline Cathcart to replace Marie Rounding on the NEI IRC appointing her for a period of one year effective October 1, 2023. Michele McCarthy was appointed Chair of the NEI IRC on October 5, 2023, effective October 1, 2023.

## **Compensation and Indemnification**

### **Members' Fees**

During the Reporting Period, the members of the IRC were paid \$90,000 in aggregate.

### **Review of Compensation**

At least annually, the IRC reviews its compensation considering the following:

- i. the best interests of the Funds;
- ii. that compensation paid to the IRC by the Funds should fairly and reasonably reflect the general and specific benefits accruing to that Fund;
- iii. the nature and extent of the workload of each member of the IRC; and,
- iv. industry best practices including industry averages and surveys on IRC compensation.

The IRC determined that no changes were required in its compensation.

### **Indemnities Granted**

The Funds and the Manager have provided each IRC Member with a contractual indemnity to the fullest extent permitted by NI 81-107. No indemnities were paid to any IRC Member by the Funds or the Manager during the Reporting Period.

### **Disclosure of IRC Members' Holdings**

As of September 30, 2023, the IRC Members did not beneficially own, directly or indirectly investments in:

- any units in any of the Funds;
- any interest in the Manager; or,
- any interest in a company or person that provides services to the Manager or to the Funds to the best of their knowledge.

### **Recommendations and Approvals**

**On October 31, 2022** – The Manager referred two conflict-of-interest matters to the IRC. On October 6, 2022, Invesco Canada Ltd (“Invesco”), and NEI Investments (“NEI”) entered into two agreements:

- 1) A Strategic Agreement with regard to their mutual commitment to product development, distribution support and marketing of certain jointly developed environmental, social and governance (“ESG”) focused index ETFs in Canada, including existing and future Invesco ETFs (collectively, the “Invesco ETFs”)Effective November 1, 2022, NEI Investments will receive a Strategic Service Fee from Invesco based on assets under management of the Invesco ETFs;
- 2) A Sub-Advisory Agreement, wherein NEI will act as a sub-advisor to Invesco providing investment advisory services on ESG-related matters only for certain Invesco ETFs. Effective November 1, 2022, NEI Investments will receive a Sub-advisory Service Fee.

On or about May 16, 2022, without knowledge of any future strategic or sub-advisory agreements and fees

associated with these agreements, the NEI Managed Asset Allocation Pool (“MAAP”), managed by NEI, purchased the Invesco S&P 500 ESG Index ETF (ticker ESG) and the Invesco S&P/TSX Composite ESG Index ETF (ticker ESGC). This was part of a broader plan to enhance the ESG characteristics of MAAP and by extension, the NEI Private Portfolios which invest in MAAP.

The Manager referred two potential conflict matters arising out of the above.

The Manager proposed a course of action to:

- 1) Allow MAAP to continue to hold the following investments in Invesco ESG Index ETFs:
  - Invesco S&P 500 ESG Index ETF; and,
  - S&P/TSX Composite ESG Index ETF.
  
- 2) Allow the Manager to increase MAAPs exposure to the following Invesco ESG Index ETFs for the enhancement of the Fund’s ESG characteristics:
  - Invesco S&P 500 ESG Index ETF; and,
  - S&P/TSX Composite ESG Index ETF.

The Manager is mitigating the inherent conflict of interest by having a separate team decide whether to change exposure to the Invesco ESG Index ETFs from the teams that provide strategic and sub-advisory service to Invesco.

The Manager also asked the IRC to provide a Standing Instruction for other Fund of Funds to invest in Invesco ESG ETFs. This SI was granted as Standing Instruction No. 7: *Invesco Agreements* on February 9, 2023, as noted below.

After reasonable enquiry and relying on the Manager’s memorandum and supporting documentation the IRC unanimously determined that the Manager’s proposed course of action to i) allow MAAP to continue to hold the Investments in the Invesco ESG Index ETFs above noted; and ii) allow the Manager to increase MAAPs exposure to the Invesco ESG Index ETFs above noted for the enhancement of the Fund’s ESG characteristics achieved a fair and reasonable result for MAAP;

**On February 9, 2023** - The Manager proposed; i) adjusting the weights in the Manager’s Fund of Funds (“FoFs”) Composite Blended Benchmark by increasing the equity component and by decreasing the fixed income component to better aligned with the actual target weightings of the portfolios; and, ii) changing the FoFs Composite Blended Benchmark component from the MSCI World Index to the MSCI AC World Index to align the adjusted strategic asset allocation across funds to the changes in the asset mix ranges and to the weighting of the composite blended benchmark.

After reasonable enquiry and relying on the Manager’s memorandum and supporting documentation, the IRC unanimously determined that the Manager’s proposed course of action to; i) adjust the weights in Fund of Funds (“FoFs”) Composite Blended Benchmark by increasing the equity component and the decreasing the fixed income component; and ii) change the FoFs Composite Blended Benchmark component from the MSCI World Index to the MSCI AC World Index achieved a fair and reasonable result each of the Funds.

**On May 15, 2023** - The Manager proposed appointing Addenda Capital (“Addenda”) as sub-advisor for the NEI

Canadian Impact Bond Fund. A conflict arises because Addenda is a related party. Ms. McCarthy recused herself from the vote.

After reasonable enquiry and relying on the Manager's memorandum and supporting documentation the members of the IRC available to vote determined that the Manager's proposed course of action to appoint Addenda as a sub-advisor to the NEI Canadian Impact Bond Fund achieves a fair and reasonable result for this fund.

### **Standing Instructions Approved**

The IRC has approved seven Standing Instructions (SIs), which constitute a written approval or recommendation from the IRC. The SIs permit the Manager to proceed with the specific action(s) set out in the SIs on an ongoing basis, without having to refer the conflict-of-interest matter or its proposed action to the IRC. The Manager can do so provided that it complies with the terms and conditions of the SI. In each case, the SIs require the Manager to comply with its related policy and procedures and to report periodically to the IRC.

#### **Standing Instruction No. 1: *Omnibus*. (Amended on February 9, 2023)**

This SI deals with several conflicts-of-interest matters including:

1. Charging (or increasing the charge to) a Fund for the costs of services provided or arranged for by the Manager, in addition to charging the Fund a management fee.
2. Allocating shared expenses among different Funds within the same Fund family.
3. Charging a short-term trading fee or redemption penalty where units purchased are redeemed within a specified period of time after purchase.
4. Allocation of investments between Funds in a Fund family and among Funds and other accounts managed by the Manager.
5. Correcting Portfolio NAV errors.
6. Correcting other material securityholder transaction errors.
7. Seeking best execution for the portfolios of the Funds.
8. Soft Dollars Arrangements.
9. Favours certain investors to obtain or maintain their investment in the Fund.
10. Voting proxies or taking other corporate action on securities held by a Fund.
11. Bringing portfolio management of a Fund in-house or to a party related to the Manager if it was previously done by an independent third-party service provider
12. Changing Sub-advisors.
13. The Manager monitors how a portfolio advisor/sub-advisor handles its own conflicts of interest when providing services to a Fund.
14. The terms, fees and service levels of outsourced services where the Manager stands to benefit financially from any proposed changes to the detriment of a Fund.
15. Personal Trading by the Manager's staff and accepting gifts.
16. Individual portfolio managers investing in the same securities as a Fund.
17. Short-term trading and market timing.
18. Services provided to a Fund by entities which are related to the Manager.

The Manager relied on SI No. 1 during the Reporting Period.

**Standing Instruction No. 2:** *Portfolio Pricing Issues: Fair Valuing Securities.*

The Manager relied on SI No. 2 during the Reporting Period.

**Standing Instruction No. 3:** *Related Party Issues: A Fund Purchases Securities Underwritten by a Company Related to the Manager or to a Sub-Advisor.*

The Manager did not rely on SI No. 3 during the Reporting Period.

**Standing Instruction No. 4:** *Related Party Issues: Inter-fund Trades.*

The Manager did not rely on SI No. 4 during the Reporting Period.

**Standing Instruction No. 5:** *A Fund Purchases Securities (Whether Debt or Equity) Issued by a Company Related to a Sub- advisor*

The Manager relied on SI No. 5 during the Reporting Period.

**Standing Instruction No. 6:** *Related Party Issues: A Fund USES Brokers Related to the Manager or Brokers Related to its Sub-advisors for Brokerage Services (Adopted by the IRC on February 9, 2023)*

The Manager relied on SI No. 6 during the Reporting Period.

**Standing Instruction No. 7:** *Invesco Agreements (Adopted by the IRC on February 9, 2023)*

The Manager relied on SI No. 7 during the Reporting Period.

This report is available on the Manager's website at [NEIinvestments.com](http://NEIinvestments.com) or you may request a copy, at no cost to you, by contacting the Manager at (416) 594-6633 or 1-888-809-3333 or by emailing the Manager at [clientservice@NEIinvestments.com](mailto:clientservice@NEIinvestments.com). This document and other information about the NEI Funds are available on [www.sedarplus.com](http://www.sedarplus.com).

*"Michele McCarthy"*

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Michele McCarthy, Chair

**EFFECTIVE SEPTEMBER 30, 2023**

**The Funds**

	<b>FUNDS</b>	<b>FONDS</b>
1.	NEI Balanced Private Portfolio	Portefeuille privé NEI équilibré
2.	NEI Balanced Yield Portfolio	Portefeuille NEI rendement équilibré
3.	NEI Canadian Bond Fund	Fonds d'obligations canadiennes NEI
4.	NEI Canadian Dividend Fund	Fonds de dividendes canadiens NEI
5.	NEI Canadian Equity Fund	Fonds d'actions canadiennes NEI
6.	NEI Canadian Equity RS Fund	Fonds d'actions canadiennes ER NEI
7.	NEI Canadian Small Cap Equity Fund	Fonds d'actions canadiennes petite capitalisation NEI
8.	NEI Canadian Small Cap Equity RS Fund	Fonds d'actions canadiennes petite capitalisation ER NEI
9.	NEI Conservative Yield Portfolio	Portefeuille NEI Rendement conservateur
10.	NEI Emerging Markets Fund	Fonds des marchés émergents NEI
11.	NEI Environmental Leaders Fund	Fonds leaders en environnement NEI
12.	NEI ESG Canadian Enhanced Index Fund <i>(Formerly NEI Jantzi Social Index® Fund)</i>	Fonds indiciel canadien amélioré ESG NEI <i>(Auparavant, Fonds indiciel Jantzi SocialMD NEI)</i>
13.	NEI Global Dividend RS Fund	Fonds de dividendes mondial ER NEI
14.	NEI Global Equity RS Fund	Fonds d'actions mondiales ER NEI
15.	NEI Global High Yield Bond Fund	Fonds d'obligations mondiales à rendement élevé NEI
16.	NEI Global Impact Bond Fund	Fonds d'obligation d'impact mondial NEI
17.	NEI Global Sustainable Balanced Fund <i>(Formerly NEI Balanced RS Fund)</i>	Le Fonds équilibré durable mondial NEI <i>(Auparavant, Fonds équilibré ER NEI)</i>
18.	NEI Global Total Return Bond Fund	Fonds d'obligations mondiales à rendement global NEI
19.	NEI Global Value Fund	Fonds de valeur mondial NEI

20.	NEI Growth and Income Fund	Fonds croissance et revenu NEI
21.	NEI Growth Private Portfolio	Portefeuille privé NEI croissance
22.	NEI Income & Growth Private Portfolio	Portefeuille privé NEI revenu et croissance
23.	NEI Income Private Portfolio	Portefeuille privé NEI revenu
24.	NEI International Equity RS Fund	Fonds d'actions internationales ER NEI
25.	NEI Money Market Fund	Fonds de marché monétaire NEI
26.	NEI Select Balanced RS Portfolio	Portefeuille NEI ER Sélect équilibré
27.	NEI Select Growth & Income RS Portfolio	Portefeuille NEI ER Sélect croissance et revenu
28.	NEI Select Growth RS Portfolio	Portefeuille NEI ER Sélect croissance
29.	NEI Select Income & Growth RS Portfolio	Portefeuille NEI ER Sélect revenu et croissance
30.	NEI Select Income RS Portfolio	Portefeuille NEI ER Sélect revenu
31.	NEI Select Maximum Growth RS Portfolio	Portefeuille NEI ER Sélect croissance maximale
32.	NEI U.S Dividend Fund	Fonds de dividendes américains NEI
33.	NEI U.S Equity RS Fund	Fonds d'actions américaines ER NEI
34.	NEI Fixed Income Pool	Mandat NEI revenu fixe
35.	NEI Global Equity Pool	Mandat NEI actions mondiales
36.	NEI Managed Asset Allocation Pool	Mandat NEI répartition d'actifs sous gestion
37.	NEI Canadian Equity Pool	Mandat NEI actions canadiennes
38.	NEI Clean Infrastructure Fund	Fonds d'infrastructure propre NEI
39.	NEI Global Growth Fund	Fonds de croissance mondiale NEI
40.	NEI Canadian Impact Bond Fund	Fonds d'obligations d'impact canadien NEI
41.	NEI Impact Conservative Portfolio	Portefeuille NEI Impact conservateur
42.	NEI Impact Balanced Portfolio	Portefeuille NEI Impact équilibré
43.	NEI Impact Growth Portfolio	Portefeuille NEI Impact croissance



**Schedule A**  
**IRC Members who sit on IRCs for other Fund Families as of September 30, 2023**

**Marie Rounding served as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Emerge Canada Inc.; and  
*(resigned effective June 30, 2023)*  
Investment funds that are reporting issuers managed by NewGen Asset Management Inc.

**Michèle McCarthy served as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Addenda Capital Inc.;;  
Investment funds that are reporting issuers managed by EHP Partners Inc.;;  
Investment funds that are reporting issuers managed by Hazelview Securities Inc.;;  
*(retired as of August 24, 2023)*  
Investment funds that are reporting issuers managed by Picton Mahoney Asset Management Inc.;;  
*(retired as of December 31, 2022)*  
Investment funds that are reporting issuers managed by PIMCO Canada Corp.;;  
Investment funds that are reporting issuers managed by Sprott Asset Management Inc.;; and  
Investment funds that are reporting issuers managed by Willoughby Asset Management Inc  
*(ceased to be a member as of December 31, 2023)*  
Investment Funds that are reporting issuers manages by Horizons ETFs Management (Canada)  
*(Appointed effective September 1, 2023)*

**W. William Woods served as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by 3iQ;  
Investment funds that are reporting issuers managed by Educators Financial Group Inc.;;  
Certain investments funds managed by Ninepoint Partners LP;  
Investment funds that are reporting issuers managed by Russell Investments Canada Limited  
*(Retired effective May 31, 2023; and,*  
Investment funds that are reporting issuers managed by Spartan Fund Management.

**Caroline Cathcart served as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by C.S.T. Spark Inc.; and  
*(Appointed effective June 19, 2023)*

Investment funds that are reporting issuers managed by C.S.T. Savings Inc.  
*(Appointed effective June 19, 2023)*