NEI

» DEMAND MORE. WE DO.

FOCUS LIST 2021

A guide to our ESG themes and the companies we're talking to this year

OUR GOAL IS TO PROTECT SHAREHOLDER VALUE WHILE INFLUENCING ACCOUNTABILITY TO ALL STAKEHOLDERS.

We believe the most effective tool for achieving that goal is corporate engagement. We talk directly with companies—alerting them to ESG risks, encouraging them to improve their ESG performance, and influencing how they are run.

The NEI approach to corporate engagement is a proprietary model that incorporates internationally recognized principles and frameworks such as the Principles for Responsible Investment (PRI), the UN Guiding Principles on Business and Human Rights, the OECD Guidelines, and the UN's Sustainable Development Goals (SDGs).

Our corporate engagement approach was once again rated A+ by the Principles for Responsible Investment in their 2020 assessment.

PRI Principles for Responsible Investment

RATED A+

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INTRODUCTION

David Rutherford
Vice President, ESG Services

There's a piece of wisdom used by Jamie Bonham, NEI's Director of Corporate Engagement, that says you don't get to choose which ESG issues to focus on—they choose you.

So it is with NEI's 2021 Focus List themes. In the wake of the 2020 pandemic, there was every opportunity for the climate crisis to get lost as an ESG consideration. People and organizations rushed to tackle the many "S" issues in ESG—from income inequality to fair wages to diversity and inclusion. But in fact the climate crisis remained and intensified. It *demanded* that while we work toward creating a fairer world, we also continue to ensure that world is physically liveable.

So while you will see two "S" issues—human rights and inequality—as broad themes for our 2021 engagements; and two other themes—stakeholder capitalism and biodiversity—clearly on the horizon for the future, you will also see that we are continuing to focus on the energy transition.

Given our leadership in this area and our lengthy track record of successfully engaging around this theme, there was no chance that helping companies transition to be viable, successful enterprises in a low carbon economy was not going to be a core focus for us.

To tie it back to Jamie's words, the energy transition and more broadly, climate action, built tremendous momentum in 2020, and it continues to choose us.

For the ESG team at NEI it was not easy to land on three distinct themes around which to frame our engagement agenda this year. That speaks to the nature of the world we live in today. We are now at a time of massive social, economic and environmental disruption. That turmoil has galvanized investors and society around the need for positive change to systems and behaviours that have held on past their expiration date.

Increasingly, *companies* are showing the leadership that will guide us through the post-pandemic existence to a new and better way. The best companies will step up, solve these challenges and in the process, become tomorrow's leaders—consistently delivering value for all stakeholders, including investors.

They are the companies we are helping create, and helping transform, through our tireless engagement work.

SUMMARY OF FOCUS THEMES

We have identified five UN Sustainable Development Goals that most directly inform our engagement themes and guide company engagements for 2021:

1 HUMAN RIGHTS

Respect for human rights is fundamental to the development of a fair, just and stable society. We intend to apply our influence to ensure companies are proactive in assessing, evaluating, and addressing human rights risks in the areas of supply chain, tech governance, and Indigenous rights. Companies in focus include **Alphabet**, **Facebook**, and **Canadian National Railway**.

2 INEQUALITY

Our society is marked by inequality. One way to bridge the inequality gap is for shareholders to advocate for a broader, stakeholder-centric approach to business. We're looking at four areas within this theme: human capital, equitable compensation, diversity and inclusion, and equitable access. Companies in focus include **Amazon**, **Walmart**, **AstraZeneca**, and Canada's "big 5" banks.

3 ENERGY TRANSITION

Climate change and the energy transition have been central to NEI's corporate engagement strategy for the last 20 years. This year will be no different, as our work on the greatest ESG challenge of our age intensifies. Under the high-level theme of energy transition, we're engaging in the areas of net-zero commitments, alignment to the Task Force on Climate-related Financial Disclosures framework, and plastics circularity. Companies in focus include **Suncor Energy**, **Loblaw Companies**, and **Nutrien**.

1 HUMAN RIGHTS

Respect for human rights is fundamental to the development of a fair, just and stable society. We intend to apply our influence to ensure companies are proactive in assessing, evaluating, and addressing human rights risks.

Businesses benefit from societal stability, and in turn they play a crucial role in ensuring that human rights are upheld. NEI has long since considered human rights in our responsible investment approach, and we believe that sustainable growth cannot come at the expense of upholding human rights.

We are heavily involved with the Investor Alliance for Human Rights (IAHR) as members of the advisory council. We intend to amplify our shareholder influence by collaborating with investors through organizations like the IAHR, to ensure companies are proactive in assessing, evaluating, and addressing human rights risks.

In our conversations we discuss topics such as human rights oversight mechanism and governance structures, the development of human rights policies, how these policies are successfully operationalized throughout the business, and how an appropriate remedy is determined in the event of a human rights violation. This year there are three sub-themes to guide our discussions:

1. Supply chain risks
2. Tech governance
3. Indigenous rights

Supply chain risks

It is incumbent on companies to ensure they and their suppliers have policies and processes in place to uphold the human rights of all workers in their operations and supply chains around the world. Many of our investees, across a number of sectors, have extensive supply chains. We regularly engage with these companies on how they assess and respond to supply chain risks, given sector and geographic contexts.

This year we are acutely aware of the human rights crisis in the Xinjiang Uyghur Autonomous Region of China, where there have been reports of mass surveillance and forced labour atrocities committed against the Uyghur people. We are involved with an investor-led engagement supported by the IAHR that seeks to engage with companies on how they are responding to this human rights crisis. Through this collaboration we are leading or co-leading engagements with companies whose supply chains are connected or potentially connected to the region.

Tech governance

Our reliance on technology has reached an inflection point this past year, given the accelerated shift to a virtual world caused by the pandemic. The tech sector is rapidly evolving, and we remain concerned over how industry and governments respond to these rapid changes with a view to upholding digital rights specifically, and human rights more broadly.

Beyond the supply chain risks that many companies encounter, there is also concern about the human rights risks intrinsic to the models of many of the tech players we are all familiar with. These concerns relate to issues such as user privacy, the limits and risks of artificial intelligence (AI), content moderation and algorithmic structures that respect freedom of expression but restrict misinformation, hateful speech, and other problematic content. We seek out opportunities to contribute to the development of policy in these rapidly changing areas. We also push for progress at companies where there is much improvement to be made, and we encourage leading companies to use their influence to create positive shifts in the sector.

Indigenous rights

Indigenous rights will continue to be a core focus for our engagement with companies in the extractives sectors (and the banks that finance them), where projects often overlap with the traditional territories of Indigenous groups. While the conversation still focuses on the risks associated with getting Indigenous engagement wrong, increasingly the conversation is turning to the opportunities of doing it right. Future success will in part be dictated by the ability of companies to create real and equitable partnerships with Indigenous groups.

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We first articulated our support for the concept of free, prior and informed consent (FPIC) in 2008, and have pushed companies to internalize this best practice ever since. Those companies that have genuinely adopted FPIC into their engagement process are well positioned to thrive as we see governments in Canada start to make their adoption of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) real.

In 2020 we led investors to support the B.C. government's UNDRIP, possibly the first instance in the world of a government enacting legislation to begin harmonizing its laws with this declaration. This year we intend to continue our efforts in furthering such policy considerations in Canada and globally, with the goal of aligning company practices with the principles of UNDRIP. We will also continue to collaborate with groups such as the Boreal Champions to promote innovative solutions to supporting Indigenous-led sustainable development in Canada's boreal forest.

Companies in focus	Sector
Alphabet	Information Technology
Aritzia	Consumer Discretionary
ATCO	Utilities
Facebook	Communication Services
Microsoft	Information Technology

Company list is not exhaustive and is subject to change.

UN Sustainable Development Goals related to this theme

2 INEQUALITY

Our society is marked by inequality. One way to bridge the inequality gap is for shareholders to advocate for a broader, stakeholder-centric approach to business.

Over the course of 2020, the systemic risk of inequality reared its head, reawakening societal awareness of some longstanding issues: We have come to see the broad types of work that in fact classify as "essential"; we have realized that our own health is more interconnected with the health of others than we may have thought; we know that calls for fairness and racial equity cannot go unanswered; and, we've questioned the decisions of companies to award bonuses to executives and lay off workers in the same breath.

We believe that shareholder advocacy for a broader stakeholder-centric approach to business is one way to bridge inequality gaps. Our discussions with companies under the theme of inequality will be framed under the following sub-themes:

1. Human capital
2. Equitable compensation
3. Diversity and inclusion
4. Equitable access

Human capital

Workers are a crucial stakeholder group, and appropriate respect for workers' rights is a defining feature of corporate success. Any approach should be grounded in principles such as fairness and equity, health, and safety. The conversations we started in 2020 will continue this year as we seek assurance from companies that they are prioritizing the health and safety of employees during the pandemic—and how they are doing so.

We are deeply concerned about the level of income inequality that exists in our society, and more specifically with how business profits are shared between workers and executives. Fair compensation will be an ongoing feature of our engagements as we consider topics such as what constitutes a living wage, sustainable capital allocation, and executive compensation.

Equitable compensation

The rate at which executive compensation has grown over the last 30 years has far outpaced any gains by workers and has led to the normalization of egregious pay packages for executives. This has directly contributed to rising inequality.

The fairness of worker compensation will be an ongoing feature of our engagements as we consider topics such as what constitutes a living wage, sustainable capital allocation, and executive compensation.

For the last six years in our proxy voting guidelines, we have articulated an absolute cap on executive compensation based on a multiple of the median household income. We have used this to bring the conversation around to the broader societal impacts of excessive compensation. This year we have increased the stringency of our cap and will make equitable compensation a key focus during proxy voting season, while encouraging our fellow investors to consider a similar approach. We will look to incorporate our take on equitable compensation into our policy focus on enhanced ESG disclosure, pushing for metrics that reflect the internal and societal impacts of executive pay.

We will explore alternative metrics companies could use to enable compensation committees to consider executive awards in the context of internal equity and societal impacts. We will challenge the notion that paying executives more leads to better results and explore what actually motivates employees to perform at their best. It is our belief there is a better way to incentivize executives that also aligns more with stakeholders.

Diversity and inclusion

Systemic inequality is fueled by a lack of corporate diversity and inclusion. This year, we will continue to promote the advancement of gender diversity and diversity *beyond* gender.

One of the ongoing features of our engagements will be to express the need for enhanced disclosure of self-identified diversity and inclusion metrics, corporate strategies, and target setting. In 2020, we were one of the founding signatories to the Canadian Investor Statement on Diversity and Inclusion, and in doing this, we made a commitment to encourage companies to advance diversity and inclusion. We will uphold this commitment as we continue to talk with companies and investor groups on best practices for advancing diversity and inclusion, furthering racial justice, and fostering more inclusive corporate environments.

Equitable access

Given the pace of the pandemic, equitable global access to COVID-19 vaccines and treatment and digital inclusion will be important themes for our engagements.

The pandemic has shown how the health of one of us can affect the health of all of us. We are signatories to the Access to Medicine Investor Statement, and for years have advocated for equitable global access to healthcare products and medicines. Last year we collaborated with other investors in engaging with pharmaceutical companies developing vaccines and treatments on the topic of allocation and pricing strategies grounded in fairness and equity, and the need for a sustained global recovery from this pandemic. Those conversations will continue this year.

The need for access to the Internet and other technology has been heightened over the course of the pandemic. Digital inclusion is paramount to ensuring our workplaces, schools and society can continue to operate smoothly for the benefit of all. We will continue our conversations with technology and telecommunications companies about safe, affordable access to the Internet and digital resources. Given the evolution of the digital space, we will seek to contribute to policy dialogues geared toward furthering digital rights.

Companies in focus	Sector
Amazon	Consumer Discretionary
AstraZeneca	Health Care
Big 5 Canadian banks	Financials
Johnson & Johnson	Health Care
Walmart	Consumer Staples

Company list is not exhaustive and is subject to change.

UN Sustainable Development Goals related to this theme

3 GOOD HEALTH AND WELL-BEING

10 REDUCED INEQUALITIES

3 ENERGY TRANSITION

Climate change and the energy transition have been central to NEI's corporate engagement strategy for the last 20 years. This year will be no different, as our work on the greatest ESG challenge of our age intensifies.

In 2020 the pace of corporate (and investor) commitments to address climate change quickened, with an unprecedented sense of momentum building as the market turned its attention to the systemic risks facing us all. We anticipate 2021 will bring even more tangible actions and commitments across the spectrum of the energy system, from the companies and consumers driving the demand for energy to the firms tasked with providing it, to the governments and regulators trying to align their jurisdictions with Paris commitments.

We will be pursuing three broad sub-themes this year:

1. Net-zero commitments
2. Alignment to the Task Force on Climate-related Financial Disclosures (TCFD) framework
3. Plastics circularity

Net-zero commitments

There is a growing consensus in the corporate world around the imperative of aligning business strategy 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. While this target is undoubtedly ambitious for many companies, it is increasingly clear that ambition is exactly what's needed to avoid the worst impacts of climate change.

We will build on the success we have seen in getting some of Canada's largest companies to commit to a target of net-zero by 2050. We will look to grow the number of net-zero commitments and ensure those commitments are backed by robust strategies and tangible interim targets. Increasingly, this will mean seeing real financial commitments in capital spending plans that support the path to net-zero, and compensation packages that link climate performance with executive pay. At the same time, we will be reviewing our own climate strategy to ensure that our investment portfolio is aligned with a net-zero future and actively helping incent that outcome.

With a new administration in the U.S., developments in Canada's climate strategy, and continued advancement of the European Union's progressive agenda, we anticipate a number of opportunities in 2021 for investors to support climate policies critical for helping meet the Paris goals. We will also continue to use our engagement with the Energy Futures Lab collaboration to explore policy proposals that will help address challenges in the energy sector (such as repurposing old oil and gas infrastructure) and attract new investment into diversification opportunities in Alberta.

Alignment to the TCFD

TCFD alignment is about more than just meeting a disclosure standard. The framework covers four key pillars: governance, strategy, risk management, and metrics and targets. Effectively meeting the standard requires having the core management functions in place that allow a company to mitigate its risks and build resilience to a low-carbon future.

Our goal is to get all our portfolio companies in high-risk sectors (i.e., facing significant climate-related transition or physical risks) to align with the

TCFD standard, and show tangible progress in addressing their specific climate-related risks and opportunities. This work will be a particular focus of our proxy voting this year, as we will again increase the stringency of our climate-related votes against members of the board at companies we feel are falling short of our expectations.

Policy will continue to be a key lever we pull to drive improvements in climate-related disclosure, and we anticipate the inevitable arc toward mandatory climate reporting will continue in 2021.

We will also use our multiple collaborative networks—such as the US$52 trillion Climate Action 100+ initiative or peers working in the Ceres or PRI networks—to drive progress. As in previous years, we will include alignment with the TCFD as a standing item with ongoing engagements outside the high-risk sectors, as we seek to increase the ambition of other low-risk sectors to drive change.

Policy will continue to be a key lever we pull to drive improvements in climate-related disclosure, and we anticipate the inevitable arc toward mandatory climate reporting will continue in 2021. We will continue to lead investor-driven demands for better disclosure in Canada while also providing input into international efforts to standardize reporting.

Plastics circularity

Plastic waste is a massive environmental challenge so pervasive it is becoming yet another systemic risk. It is also an economic challenge, as the exceedingly poor rates of reuse and recycling mean that most of the inherent value of the material is lost. Meanwhile growing societal resistance to the use of plastic threatens corporate reputations and certain business models.

Since the vast majority of plastic is made with fossil fuel inputs, it is also an urgent climate issue. Through our membership in the Circular Economy Leadership Coalition, we will continue to seek opportunities to advance a circular plastics economy in Canada and continue to engage investors in exploring ways to play an active role—such as supporting developments like the Canada Plastics Pact. As well, we will continue to engage retailers and other name brands on setting ambitious reduction/reuse/recycling targets for the use of plastics in their business, while engaging other players in the plastics ecosystem on innovations to increase the recyclability or recycling rates of plastics.

Companies in focus	Sector
Canadian Natural Resources	Energy
Loblaw Companies	Consumer Staples
Magna International	Consumer Discretionary
Nutrien	Materials
Suncor Energy	Energy

Company list is not exhaustive and is subject to change.

UN Sustainable Development Goals related to this theme

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

COMPANIES IN FOCUS

The companies identified below represent just the starting point for our 2021 engagements.

Typically, as a result of this work and through our ongoing ESG evaluations, we will add new companies to the list throughout the year. Companies are selected based on multiple criteria, including their connection to our identified themes, our exposure to the company, the materiality of the ESG risk, and their ESG standing as determined by our evaluation process. We report on all existing and new engagements in our quarterly Active Ownership Reports.

Communication Services

- Comcast
- Facebook
- Rogers Communications
- Telus
- Verizon Communications

Consumer Discretionary

- Amazon
- Artizia
- Home Depot
- LVMH
- Magna International
- Nike

Consumer Staples

- Empire Company
- Loblaw Companies
- Procter & Gamble
- Saputo Group
- Walmart

Energy

- ARC Resources
- Canadian Natural Resources
- Enbridge
- Parkland
- Suncor Energy

Financials

- Bank of Montreal
- Canadian Imperial Bank of Commerce
- JPMorgan Chase
- Royal Bank of Canada
- Scotiabank
- Toronto-Dominion Bank

Health Care

- AstraZeneca
- Johnson & Johnson
- Merck & Co.
- Pfizer

Industrials

- Canadian National Railway
- Canadian Pacific Railway
- GFL Environmental
- Schneider Electric
- Toromont Industries

Information Technology

- Apple
- CGI
- Microsoft
- Open Text

Materials

- First Quantum Minerals
- Nutrien
- Stella-Jones
- Teck Resources
- WinPak

Utilities

- AltaGas
- ATCO
- Canadian Utilities
- Superior Plus

ON THE HORIZON

As we look ahead to emerging ESG themes, we see the opportunity to build upon our engagement work in the areas of stakeholder capitalism and biodiversity.

While the themes of human rights, inequality and the energy transition will be the focus of our engagement work in 2021, we will also investigate stakeholder capitalism and biodiversity. While both themes cover clearly important issues, disclosure on best practices is developing and we are still looking to identify the best points of leverage. This is why they are not currently on our list of key engagement themes. Through research, collaboration, and exploratory conversations with companies, subject matter experts and other stakeholders, we hope to understand how we can best address these issues more fully in the future.

Stakeholder capitalism

Stakeholder capitalism jumped to the forefront of the responsible investment conversation in 2020 as the pandemic caused everybody to reconsider priorities and question the inequities and structural weaknesses exposed by the economic upheaval precipitated by the virus. We may look back at 2020 as the year in which shareholder primacy sustained its fatal blow.

The theory of stakeholder capitalism has been a core underpinning of our corporate engagement work for close to a decade and will continue to guide our work going forward. As such, it is not a new topic for us. However, with the growing interest in stakeholder capitalism from both investors and companies, this year we will explore some of the less understood implications of a true stakeholder focus.

Sustainable capital allocation is one area we wish to understand further. Investors have long accepted the dogma that "return-friendly" allocation of capital toward share buybacks and dividends is always a positive from the shareholder perspective. The expectation of these actions is the basis of entire investment strategies.

But is it truly sustainable to prioritize these actions above, for example, avoiding employee layoffs? Or investing in employees through training and adequate benefits? Or increased R&D? When so much of the market not only expects, but *demands* that capital be spent on shareholder-friendly initiatives, how do you change that paradigm? We will study how companies can practice sustainable capital allocation and the role of the board—and investors—in supporting this long-term perspective.

The idea that having a corporate purpose could lead to better management of ESG risk (and better financial performance) is increasingly entering the investor vernacular.

Another growing area of interest is the idea that directors and management should embrace the notion of articulating and committing to a corporate purpose. The idea that having a corporate purpose could lead to better management of ESG risk (and better financial performance) is increasingly entering the investor vernacular. But it inspires a new set of questions. What does it mean to be a purpose-driven corporation, and is the approach as applicable in retail and IT as it is in mining and oil and gas? What kind of governance expectations do we need to see for a company to effectively embrace purpose? What are the tangible benefits of articulating a corporate purpose? And what would we ask companies to report back on to show they are embracing their purpose?

Biodiversity

Biodiversity loss, like climate change, is a systemic risk that has massive implications for the wellbeing of the planet and our ability to thrive. There are growing calls to address the crisis in biodiversity loss before it spells environmental and economic ruin. The World Economic Forum lists biodiversity loss as one of the top four economic risks facing society today, and there is discussion that the COVID-19 pandemic that tore the global economy apart can be linked in part to biodiversity impacts.

Furthermore, unabated climate change will lead to an increase in the pace of biodiversity losses. Conversely, restoring biodiversity is a critical means of buffering the worst impacts of climate change. Ensuring we reduce, and eventually reverse the rate of biodiversity loss, is critical to a sustainable society.

Increasingly, investors are starting to grapple with their role in addressing this issue. While elements of biodiversity have long been part of the ESG continuum (such as deforestation concerns or wetlands impacts), the ability to effectively integrate biodiversity into our engagement program has been hindered by a lack of good data and a lack of coherent narratives from companies on their role in addressing complex ecosystem risks, such as cumulative impacts. Concepts like "net positive impact" or "no net loss" show promise but do not enjoy widespread adoption. Nor are they well understood (or valued) by investors.

We hope to explore best practices on this issue, learn from nascent investor initiatives addressing biodiversity, understand better our exposure to this risk, and ultimately identify where we can drive the greatest impact.

THE THREE-PART APPROACH TO EFFECTIVE CORPORATE ENGAGEMENT

Corporate engagement is a cornerstone of NEI's responsible investment program and represents the highest commitment to responsible investing that an asset manager can take. NEI's corporate engagement efforts are focused in three areas:

Dialogue

NEI pioneered the concept of holding direct dialogues with company management, often in alignment with other investors, to address specific concerns, improve ESG performance and advance our ESG objectives. Always conducted in the spirit of collaboration with the goal of improving the investment potential of companies, dialogues employ many approaches, including letters, emails, phone calls, and face-to-face meetings.

Proxy voting

NEI aims to vote every proxy for every company in our funds, based on our publicly available voting guidelines and country-specific best practices. Proxy voting topics can include board member elections, pay packages, shareholder proposals, mergers, and other corporate matters. At times, and often in concert with other investors, NEI will file a shareholder proposal — a non-binding resolution filed for a vote at a company's annual general meeting, that encourages management to take a specific action.

Policy

Tightly related to dialogues and proxy voting is our policy work. We consult with governments, regulators and organizations that set national and global standards for responsible investment and corporate performance. Through policy-focused advocacy, we can help lock best practices for companies into a set of standards that make it easier for responsible investors, companies and all their stakeholders to move forward together.

APPENDIX: 2020 IN REVIEW

We ended up engaging even more companies in 2020 than we did in 2019. This was despite taking a substantial break in actively engaging companies while we adapted to the realities of the pandemic.

Unlike most years, almost all our interactions with companies were virtual. This had both positive and negative effects for our engagement outcomes. On the one hand, the technical difficulties of virtual meetings reduced the spontaneity and interactivity of meetings, a dynamic most keenly felt in some of our longstanding dialogues. And we noticed that some companies were able to hide behind the technology during their virtual AGMs, as they could duck submitted questions with relative ease.

On the other hand, the ease of setting up a meeting greatly expanded our ability to meet with companies across the globe without having to travel. We anticipate virtual meetings are here to stay and will continue to be a key means of engagement in 2021, though longer term we anticipate some of our deeper dialogues will benefit from a return to in-person meetings.

2020 engagements by the numbers

- **170** total companies engaged (32% of year-end fund equity holdings)
- **81** companies engaged through intensive dialogue
- **89** companies engaged through correspondence
- **26** different ESG topics raised
- **855** company meetings
- **10,745** proxy items voted
- **3,333** votes against management (30% of all proxy items voted)
- **322** votes against North American compensation plans (85% of all plans voted)

Feedback on proxy campaign

Every year we run what we call a "feedback on proxy campaign," in which we write to companies to explain why we voted the way we did at their AGMs. In 2020, we focused on U.S. and Canadian companies where we voted against board members to voice concerns related to board diversity, equitable compensation, and climate change oversight.

We engaged:

35 companies on board diversity

36 companies on equitable compensation

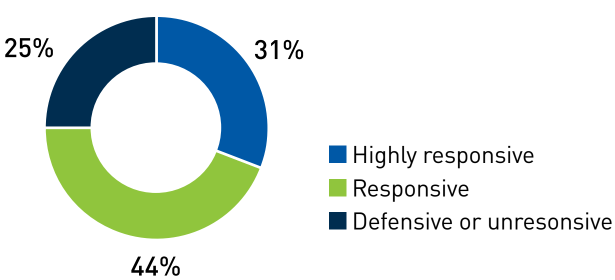
17 companies on climate change oversight

Company responsiveness and topic outcomes

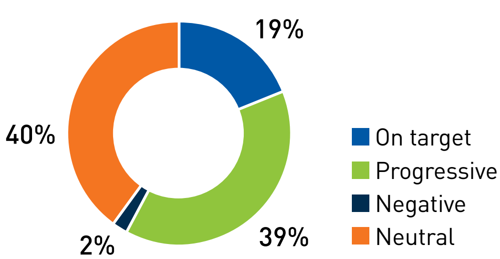
Of the 170 companies engaged, 81 were involved in intensive dialogues, including through meetings, phone calls, and shareholder resolutions. We wrote to the other 89 companies to highlight specific ESG concerns or perspectives, but we did not count these as intensive engagements, either because we planned to follow up in the following year or we were acting in support of a broad collaborative effort. This included our feedback on proxy campaign and some of the sign-on efforts we undertook to highlight ESG concerns such as animal welfare, biodiversity, deforestation, and decarbonisation.

When we break the data down further, we see that 75% of companies participating in intensive dialogues were responsive or highly responsive to us. With respect to topic outcomes, the majority of engagements were either on target or progressing.

81 intensive dialogues

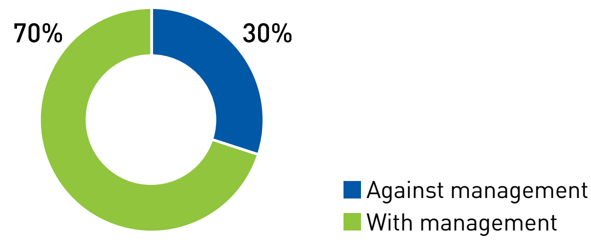


Topic outcome



Vote instruction

We voted against company management on 30% of agenda items at 2020 AGMs, which is similar to our 2019 result. While some companies have improved their governance practices, other issues persist. Common reasons to vote against management included excessive pay, excessive auditor tenure, and lack of diversity in board composition.



Shareholder proposals

We support well-targeted shareholder proposals addressing key ESG issues that are important for the long-term value of a company. In 2020, we supported 76% of the 303 shareholder proposals filed at our investee companies, according to the following breakdown:

64% of the 28 environmental proposals

75% of the 57 social proposals

79% of the 218 governance proposals

Say-on-pay

We voted against 86% of North American compensation plans last year. In most cases, we were concerned that the quantum of pay was excessive relative to the country's median household income or relative to peers, or that it was inequitable relative to other named executive officers in the same company.

LEADERSHIP IN CORPORATE ENGAGEMENT

NEI has been committed to responsible investing for more than 30 years. It's how we help our clients grow wealth. It's how we identify opportunities and reduce risks. And it's how we advance the environmental, social and governance performance of the companies we invest in.

It's a commitment to making an impact.

Talk to your advisor today about how responsible investment solutions from NEI can help you achieve your goals.

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