

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

Corporate engagement by the numbers

858

 Shareholder
meetings voted

152

 Focus List
dialogues

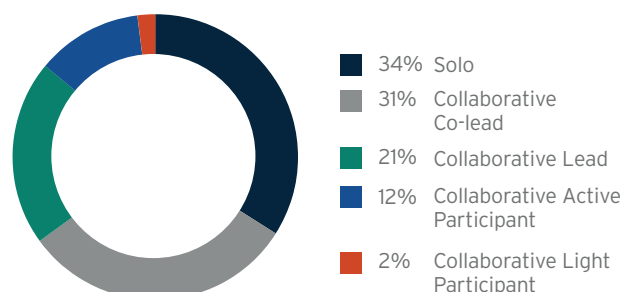
25

 Policy
actions

Year to date

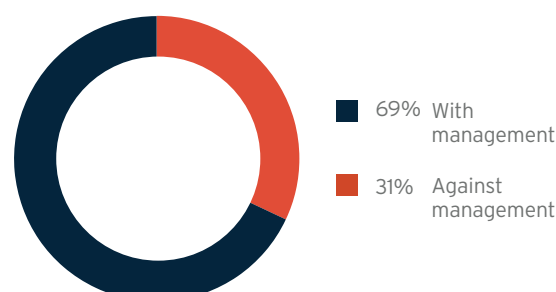
NEI engagement role

In Q4 we led 87% of our engagements, meaning that we either conducted the engagement ourselves, or led or co-led a collaboration with other investors. Leads are responsible for setting the agenda, and chairing and organizing the investor group's meetings with a company.

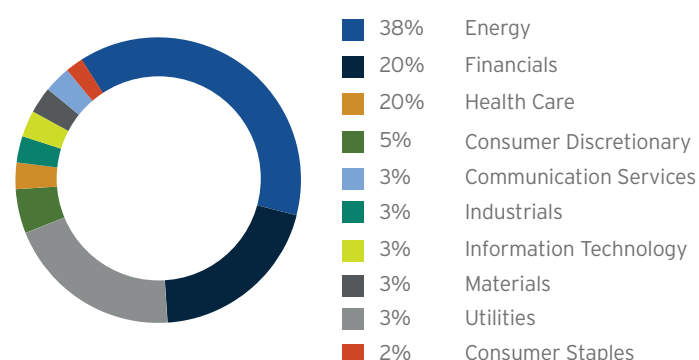


Vote instruction

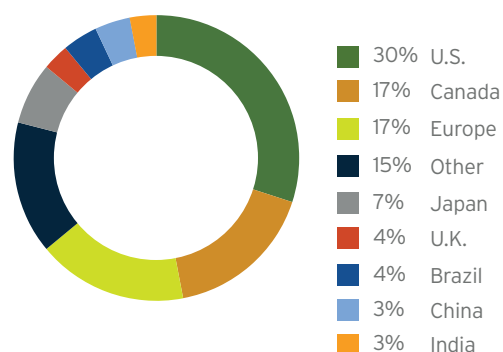
In Q4 we voted against company management on 31% of agenda items at Annual Shareholder Meetings. Voting against management is one indicator to determine whether proxy votes are actively managed by a fund company, rather than set to automatically vote in favour of management.



Engagement by sector



Votes by market



Welcome, 2020

David Rutherford, VP of ESG Services

In 2019, NEI engaged a total 152 companies, voted at 858 shareholder meetings, filed 4 shareholder proposals and undertook 25 distinct policy actions with the goal of helping corporations better navigate a new world, where investor demand for progress against Environmental, Social and Governance (ESG) factors has reached unprecedented heights.

These are uncharted waters for responsible investors and for the companies responding to these new demands and challenges. Change is accelerating and past progress cannot be used to predict the future pace of responsiveness to ESG-related issues. In this environment, experience matters. While it might be tempting to step back, believing that companies are finally “getting with the program”, in fact the opposite is true.

"Now that awareness and willingness to change are at all time highs, it is imperative that we work more diligently than ever to ensure companies get this right and fully embed sustainable thinking into their DNA."

This past quarter saw evidence of the importance of our continued leadership. In the stories below you'll read about our progress, but also our challenges. Not every company responds positively (especially initially) to the goals of our engagements - even when those engagements involve multiple stakeholders representing trillions of dollars in assets. And for every success we have in areas where we've been working diligently for years, there are new issues to evaluate, develop a position on and take a leading role in responding to. In our upcoming Focus List for 2020, to be published at the end of February 2020, we'll identify the themes - both existing and burgeoning - that will shape our engagement and policy work for the year ahead. And we'll highlight the companies we'll be working with to make changes that will improve their long-term sustainability and by extension their quality as investments.

Year after year, this is what we do. In a world that is changing as rapidly as ours, we remain the reliable touchstone to help investors - and their advisors - make sense of it all, and make the world a better place through their confidence in us.

Engagement *highlight*

We fight for your right – to privacy

Rosa van den Beemt, Senior ESG Manager

In January 2020, the Financial Times reported that Alphabet (Google's parent company) reached a record valuation of US\$1 trillion, the fourth U.S. tech giant to pass this milestone. This comes after the news from December 2019 that co-founders Larry Page and Sergey Brin decided to step down, handing over the Alphabet CEO position to Google CEO Sundar Pichai. In the span of twenty years, the company has grown from being “just” a search engine into a massive corporation with businesses ranging from internet and phone services, to health care and drug development, artificial intelligence, hardware, security and surveillance, robotics, self-driving cars, finance and investments, hot air balloons and urban innovation. A lot of these businesses are driven by data, much of it your data. It is rare that one company has such extensive influence in our lives – and it is influence that, up until now, has gone largely unchecked.

Despite Alphabet's attractive balance sheet, many stakeholders are concerned about the company's direction and conduct in light of their systemic influence on society. Employees have organized petitions and walk-outs over various concerns, including controversial work for the U.S. Department of Defense, business in China, their stance against employee organizing and the mishandling of sexual misconduct cases. Shareholders have expressed concerns too, but because of the dual class share structure that gives majority of share ownership to Alphabet insiders, outside investors have trouble getting our voices heard. And as responsible investors, especially in light of our work with the Investor Alliance for Human Rights, we have a lot of concerns about the company's lack of robust governance around societal and human rights risks, including privacy, the use of AI and freedom of expression.

NEI has teamed up with fellow Alphabet investors Hermes, Robeco and The Sustainability Group of Loring Wolcott & Coolidge to bring our concerns to the board of directors. We wrote a comprehensive letter outlining these concerns and requested to meet with the company. We asked other investors with similar concerns if they wanted to collaborate and received overwhelming support: over 80 institutional investors signed on to our letter, representing close to US\$10 trillion of assets under management. Despite months of work, Alphabet's response was dismissive and disappointing. We decided to escalate the engagement and filed a shareholder proposal asking the company to adopt human rights oversight at the board. If Alphabet does not challenge the proposal at the U.S. Securities and Exchange Commission and if we do not reach an agreement with the company, this shareholder proposal will be on the ballot at the Alphabet Annual Shareholder Meeting in June 2020.



Engagement *outcomes*

CNRL announces intent to reach net zero emissions

Jamie Bonham, Manager Corporate Engagement

We saw a significant result from our ongoing engagement with **Canadian Natural Resources Limited (CNRL)** in the last quarter. The company, which has been reluctant to set public targets for greenhouse gas emissions reductions, publicly announced a goal of reducing its oilsands emissions intensity rate by 25% from 2016 levels by 2025. The company also set a methane emissions reduction target of 20% below 2016 levels by 2025, along with goals to reduce the use of fresh water in its oilsands operations. The company has also begun to state its intention to reach net zero emissions – though it hasn’t provided a timeline for that goal. Engagement with the company is clearly starting to result in substantive shifts in publicly announced strategy. Along with engaging CNRL on our own for years, we are also co-leads for the Climate Action 100+ investor collaboration and co-leads for the PRI Methane collaborative engagement.



Sectors:	Financials
SDGs:	13: Climate Action

Laurentian’s significant governance reforms

Hasina Razafimahefa, Senior ESG Analyst

Laurentian Bank asked us to meet with its board members to discuss progress on governance matters and hear our perspective on the company’s current and future initiatives. We were pleased that the bank has made significant efforts to enhance its governance practices and disclosure, following most of our recommendations. For instance, it finally adopted a board gender diversity target. While in practice it had already exceeded its target to have at least 30% female directors on the board, setting a formal target ensures it will maintain a gender diverse board in the long term. Laurentian has also addressed most of the concerns we raised on its executive compensation framework regarding pay for performance and disclosure of metrics, which allowed us to support its advisory vote on executive compensation for three straight years. As well, we appreciated the board’s commitment to advancing the bank’s ESG practices, including on climate change.



Sectors:	Financials
SDGs:	10: Reducing Inequality 13: Climate Change 16: Peace, Justice, and Strong Institutions

J&J agrees to disclose details on compensation clawback

Rosa van den Beemt, Senior ESG Analyst

The opioid crisis has affected Canadians and Americans profoundly. The pharmaceutical industry is still battling lawsuits costing billions of dollars, yet executives at companies that contributed to the crisis have continued to receive bonuses. For several years we have been an active member of Investors for Opioid and Pharmaceutical Accountability (IOPA), which works to hold drug companies accountable for their role in the North American crisis, including **Johnson & Johnson (J&J)**. We co-filed a shareholder proposal at J&J together with the New York City Comptroller, the lead filer. We wanted to understand when and if the company uses its clawback policy to rescind bonus compensation from executives due to financial or ethical misconduct. J&J agreed to our ask, and we were able to withdraw our proposal before it went to a vote. The IOPA coalition has seen significant results in the past two years.



Sectors:	Health Care
SDGs:	3: Good Health and Wellbeing

Unilever to cut use of virgin plastic in half by 2025

Jamie Bonham, Director of Corporate Engagement

We’ve reached two key milestones related to our work in the Plastic Solutions Investor Alliance collaboration. **Unilever committed to reduce** the absolute use of plastic packaging by 100,000 tons and cut the use of virgin plastic in half by 2025. It also committed to help collect and process more plastic packaging than it sells. This is a substantive response to our engagement with the company, where setting plastic use reduction goals was a key ask. The company notes that it is performing a “fundamental rethink” in its approach to packaging by exploring reuse and refill delivery systems. **PepsiCo** also announced a target to reduce the use of virgin plastic in its beverage business 35% by 2025. This could result in the elimination of two and a half million tons of virgin plastic use. Both companies previously committed to making 100% of their plastic packaging recyclable, compostable or biodegradable by 2025, and these new commitments will drive the entire packaging industry toward a more circular model.



Sectors:	Consumer Staples
SDGs:	12: Responsible Consumption and Production

Engagement *deep dive*

Climate risk: pushing for systemic change at company, policy and sector levels

Jamie Bonham, Manager Corporate Engagement

Methane is a potent greenhouse gas that has up to 80 times the heat-trapping potential of carbon dioxide in the first 20 years after it hits the atmosphere. Roughly 25% of the human-caused global warming we feel today is from the effects of methane, so efforts to reduce methane emissions in the near-term are a critical part of buying time to address CO2 emissions over the longer term. The oil and gas sector is a huge contributor of methane – emissions are found all along the supply chain, from flaring and venting at the well-head to intentional and unintentional emissions from pipelines and compressor stations. That is why methane has been a core focus of our engagement with these companies. We are co-leading an engagement with **Canadian Natural Resources Limited (CNRL)**, one of the biggest methane emitters in Canada, where we have been urging the company to adopt and disclose best practices in methane management, including setting public emission reduction targets. The company recently announced that it has made a public target of reducing methane emissions 20% by 2025 (based on 2016 levels).

On the policy front, we provided a submission to the U.S. Environmental Protection Agency (EPA) on its proposal to remove methane from regulatory oversight, urging the EPA to reconsider its proposal. If adopted, these changes will have serious impacts on methane emissions growth in the U.S. and will damage the credibility of natural gas as a bridge fuel to a low-carbon economy. It is critical that this proposal not be implemented.

Also, as part of an ongoing collaboration, we joined fellow investors representing US\$5.5 trillion in AUM in writing to U.S.-based oil and gas companies and natural gas utilities to urge them to engage constructively with the proposed regulatory changes to methane oversight. We saw early success from this engagement, as companies such as **Equinor, BP and Royal Dutch Shell** publicly stated their support for robust regulatory oversight and several companies actively took part in the consultation, where they stated their support for keeping methane regulations in place. Several gas utilities responded by signing a [public statement](#) in support of effective regulation.

Finally, new regulations and guidelines to reduce methane emissions from the oil and gas industry in British Columbia went into force as of January 1, 2020. B.C. has set a methane emissions reduction target for the industry of 45% below 2014 levels by 2025. This aligns with our previous submission to the B.C. government where [we encouraged](#) them to commit to the 45% target and make methane emission reductions a key part of their climate leadership plan.

CDP Event

November 2019 saw us co-hosting our third annual climate disclosure event in Calgary in conjunction with the Carbon Disclosure Project (CDP). The event is a day-long working session that brings companies and investors together for a deep dive into climate-related disclosure, with a specific focus on the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. We launched the event three years ago, in collaboration with the CDP, because of the need for much better disclosure on carbon-related risks and opportunities from Canadian oil and gas companies. We saw an opportunity to have a candid conversation between investors and companies in a forum where companies could be forthright about the challenges they face.

Interest in the event has been strong from the start and continues to grow; this year around 20 companies attended to get a frank take on what investors are looking for in climate-related disclosure. This meeting is part of our systemic approach to driving sector-wide improvements in climate-related disclosure and ultimately addressing the key carbon-related impacts of the sector.

Corporate *dialogues*

Holdings can change at any time without notice.

Company	Sector	Topic	NEI funds
Alphabet	Communication Services	Human rights due diligence	NEI Global Equity RS Fund; NEI Global Equity Fund; NEI U.S. Equity Fund; NEI U.S. Equity RS Fund; NEI Global Equity Pool
Amazon	Consumer Discretionary	Human rights due diligence	NEI Global Equity RS Fund; NEI Global Equity Fund
General Motors	Consumer Discretionary	Advancing the U.S. energy transition	NEI Global Value Fund
Unilever	Consumer Staples	Plastic Solutions Investor Alliance	NEI Global Dividend RS Fund; NEI Canadian Dividend Fund; NEI International Equity Fund; NEI Global Equity Pool; NEI U.S. Dividend Fund; NEI Tactical Yield Portfolio
WalMart	Consumer Staples	Investors for Opioid and Pharmaceutical Accountability	NEI Global Equity RS Fund; NEI Global Equity Pool
AltaGas	Energy	Advancing governance of significant holdings; implementing TCFD recommendations on climate disclosure	NEI Balanced RS Fund; NEI Canadian Small Cap Equity RS Fund; NEI Canadian Equity RS Fund
ARC Resources	Energy	Implementing TCFD recommendations on climate disclosure	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund
Cenovus Energy	Energy	Implementing TCFD recommendations on climate disclosure	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund
Crescent Point Energy Trust	Energy	Implementing TCFD recommendations on climate disclosure	NEI Canadian Dividend Fund
Enbridge	Energy	Implementing TCFD recommendations on climate disclosure	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Canadian Equity Pool
Enerplus	Energy	Implementing TCFD recommendations on climate disclosure	NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund
EOG Resources	Energy	Advancing the U.S. energy transition	NEI U.S. Equity RS Fund; NEI U.S. Equity Fund
Gibson Energy	Energy	Implementing TCFD recommendations on climate disclosure	NEI Canadian Small Cap Equity RS Fund
Husky Energy	Energy	Advancing the Canadian energy transition	NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI Growth & Income Fund
Inter Pipeline Fund	Energy	Implementing TCFD recommendations on climate disclosure	NEI Canadian Dividend Fund
Keyera	Energy	Implementing TCFD recommendations on climate disclosure	NEI Jantzi Social Index Fund
Parkland Fuel	Energy	Implementing TCFD recommendations on climate disclosure	NEI Canadian Small Cap Equity RS Fund
Suncor Energy	Energy	Advancing the Canadian energy transition	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Jantzi Social Index Fund
TC Energy Corporation	Energy	Implementing TCFD recommendations on climate disclosure	NEI Global Equity Fund
Vermilion Energy Trust	Energy	Implementing TCFD recommendations on climate disclosure	NEI Canadian Equity Pool; NEI Jantzi Social Index Fund
Bank of America	Financials	Responsible lending; advancing ESG management and disclosure	NEI Canadian Dividend Fund; NEI Global Equity RS Fund; NEI U.S. Equity Fund
Bank of Montreal	Financials	Responsible lending	NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund

Corporate *dialogues* (cont'd)

Company	Sector	Topic	NEI funds
Canadian Imperial Bank of Commerce	Financials	Responsible lending	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI Global Dividend RS Fund; NEI Growth & Income Fund
Citigroup	Financials	Responsible lending; advancing ESG management and disclosure	NEI Canadian Equity Fund; NEI Global Equity RS Fund
JPMorgan Chase	Financials	Responsible lending; advancing ESG management and disclosure	NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI Global Equity Pool; NEI U.S. Equity RS Fund; NEI U.S. Equity Fund
Laurentian Bank of Canada	Financials	ESG-ready boards; implementing TCFD recommendations on climate disclosure; advancing governance of significant holdings	NEI Canadian Dividend Fund
Toronto-Dominion Bank	Financials	Responsible lending; implementing TCFD recommendations on climate disclosure; ESG-ready boards; business ethics	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI Canadian Equity Pool; NEI Global Equity Pool; NEI Growth & Income Fund; NEI International Equity Fund; NEI Jantzi Social Index Fund
Wells Fargo	Financials	Business ethics	NEI Canadian Dividend Fund; NEI Tactical Yield Portfolio; NEI U.S. Equity RS Fund; NEI U.S. Dividend Fund
AbbVie	Health Care	Investors for Opioid and Pharmaceutical Accountability	NEI Tactical Yield Portfolio; NEI U.S. Dividend Fund
Amgen	Health Care	Investors for Opioid and Pharmaceutical Accountability	NEI Global Dividend RS Fund; NEI Global Equity RS Fund; NEI Tactical Yield Portfolio; NEI U.S. Dividend Fund
Bristol-Myers Squibb	Health Care	Investors for Opioid and Pharmaceutical Accountability	NEI Global Equity Pool; NEI Tactical Yield Portfolio; NEI U.S. Equity RS Fund; NEI U.S. Dividend Fund
Eli Lilly	Health Care	Investors for Opioid and Pharmaceutical Accountability	NEI Global Dividend RS Fund; NEI Global Equity Pool; NEI U.S. Equity RS Fund; NEI U.S. Equity Fund
Gilead Sciences	Health Care	Investors for Opioid and Pharmaceutical Accountability	NEI Canadian Equity Fund
Johnson & Johnson	Health Care	Investors for Opioid and Pharmaceutical Accountability; Access to Medicine Index; responsible U.S. health care	NEI U.S. Equity RS Fund; NEI U.S. Equity Fund
Novartis	Health Care	Investors for Opioid and Pharmaceutical Accountability	NEI Global Equity Fund
Pfizer	Health Care	Investors for Opioid and Pharmaceutical Accountability; Access to Medicine Index; responsible U.S. health care	NEI Global Equity Pool; NEI Tactical Yield Portfolio; NEI U.S. Equity RS Fund; NEI U.S. Dividend Fund
Hubbell	Industrials	Advancing ESG management and disclosure	NEI Environmental Leaders Fund
Apple	Information Technology	Responsible tax	NEI Global Dividend RS Fund; NEI Global Equity Pool; NEI Global Equity RS Fund; NEI U.S. Equity RS Fund; NEI U.S. Equity Fund
Teck Resources	Materials	Advancing the Canadian energy transition	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Jantzi Social Index Fund
AltaGas Canada	Utilities	Advancing governance of significant holdings	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Small Cap Equity RS Fund;

Policy actions

Policy activity	Impact sector	Impact market	SDG theme
We participated in an investor questionnaire from FAIRR, a collaborative investor network focused on the ESG risks of intensive livestock production, to provide our input on investor strategy for 2020.	Agriculture and goods	Global	SDG 12 - Responsible Consumption and Production SDG 13 - Climate Action SDG 15 - Life on Land
In response to the U.S. Environmental Protection Agency (EPA) proposal to eliminate the direct regulation of methane in the oil and gas sector, we provided comments to the EPA stating that in our view the sector plays a significant role in the energy transition, and the EPA's proposed changes would increase the uncertainty facing the industry and may have a negative impact on the industry's ability to raise capital.	Oil and gas	Global	SDG 13 - Climate Action
British Columbia has passed legislation that enables the adoption of the UN Declaration of the Rights of Indigenous Peoples. We participated in a webinar on Bill 41 to voice our support and raise investor awareness.	All	B.C., Canada	SDG 10 - Reduced Inequalities SDG 16 - Peace, Justice and Strong Institutions
We participated in a consultation of the Task Force on Climate-related Financial Disclosures (TCFD) to provide input on the challenges and opportunities of adopting the TCFD reporting framework.	All	Global	SDG 13 - Climate Action
We provided feedback on a statement from Ceres and IIGCC about investor expectations of the oil and gas industry.	Oil and gas	Global	SDG 13 - Climate Action



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