



Responsible investment report

2025

NEI

Important information and disclaimers

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The corporate dialogue stories contained in the Report are based on NEI records, research and impressions gathered during company engagements. Unless otherwise indicated, no company identified in the Report reviewed its contents before publication. We acknowledge that company progress on environmental, social and governance issues is due to multiple factors and not attributable solely to NEI's influence.

Information and data contained in the corporate dialogue stories, including company responsiveness, progress toward engagement objectives, holding status and next steps, is valid as of the time of the original publication of the story, as indicated. There may have been progress made on the engagements since that date that is not reflected in the Report.

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Climate metrics, data and other information contained in this Report are or may be based on assumptions and estimates with little supporting documentation. We have not independently verified or assessed the assumptions underlying the data we have obtained from our sub-advisors and other third parties that we use to set, track and report on our progress towards meeting our interim targets. Moreover, the data needed to define our pathway toward net zero may be limited in quality, consistency, or simply not available at the time the Report was created. All commitments and targets in this Report are aspirational and subject to change as new data and information become available, and as the legislative and regulatory landscape continue to evolve with respect to climate-related reporting.

This Report is intended to provide information from a different perspective and in more detail than is required to be included in mandatory securities filings and other regulatory reports made with Canadian securities regulators. While certain matters discussed in this Report may be of interest and importance to our stakeholders, the use of the terms "material", "significant", "important" or similar words or phrases should not be read as necessarily rising to the level of materiality used for the purposes of securities or other laws and regulations.

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Caution regarding forward-looking statements

From time to time, Northwest & Ethical Investments L.P. and its affiliates (NEI, we, us or our) make written or oral forward-looking statements within the meaning of certain applicable securities legislation. We may make forward-looking statements in this Report and in other filings with Canadian regulators, in other reports to our stakeholders, and in other communications. Forward-looking statements in this Report include, but are not limited to, statements relating to our climate-related strategy and commitments, risks and opportunities, metrics and targets (including interim targets), and our strategy supporting the transition to a net-zero economy.

Forward-looking statements are typically identified by words such as "aim", "anticipate", "believe", "commit", "estimate", "expect", "expectation", "forecast", "foresee", "goal", "intend", "intention", "likely" (and "unlikely"), "objective", "plan", "predict", "project", "seek to", "strive", "target" and similar expressions of future or conditional verbs such as "could", "may", "might", "should" and "would". Forward-looking statements are neither historical facts nor assurances of future performance. They require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that such statements will not prove to be accurate. Our actual results may differ materially from those indicated in the forward-looking statements.

We caution readers not to rely on our forward-looking statements, as they are subject to many risk factors, some of which are beyond our control and the effects of which can be difficult to predict. Such factors include, but are not limited to, the need for robust climate data and standardization of climate-related measurement methodologies, our ability to gather and verify data, our ability to successfully implement climate-related initiatives under expected time frames, the risk that initiatives will not be completed or that they will not produce the expected outcomes, the need for ongoing participation and action of various stakeholders (including our sub-advisors, governmental and non-governmental organizations, other financial institutions, businesses and individuals), changing technology and consumer behaviour, global energy needs, global decarbonization efforts including climate-related policies, and the legal and regulatory environment.

The forward-looking statements contained herein are made as of the date of this Report based on information currently available to us. Except as required by law, none of NEI or its affiliates undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf, whether as a result of new information, future developments or otherwise.

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We acknowledge that the land on which we live, and work is the traditional territory, treaty and unceded lands of diverse and distinct Indigenous Peoples across what is now called Canada.

These lands have been cared for by First Nations, Inuit, and Métis Peoples since time immemorial and we honour their knowledge of and deep connection to the land, waters, and skies. As we continue our journey toward Truth and Reconciliation, we do so with humility and a commitment to listening, learning, and building relationships rooted in trust and respect. As a financial services organization, we recognize our responsibility to consider how our actions can advance economic reconciliation and support shared prosperity with Indigenous Peoples. Reconciliation is not a single act or destination but an ongoing process that requires meaningful action, reciprocity, and a thoughtful approach to fostering inclusive economic opportunities.

In the spirit of the Truth and Reconciliation Commission's Call to Action 92, we reflect on the responsibility of all individuals and organizations to foster respectful relationships with Indigenous Peoples and support their self-determination. We are committed to opening this conversation and taking the first steps toward understanding the voices and truths from the communities where we aspire to build right relations.

We invite others on this journey as we work toward a future of equity, respect, and mutual understanding.

About NEI Investments

Part of the asset management arm of Aviso*, and one of Canada's leading wealth services suppliers, NEI Investments holds over \$11 billion in assets under management.

NEI adopts a differentiated approach to achieving investment returns for Canadians, leveraging a unique structure that includes a global network of money managers, proprietary investment management and asset allocation and a dedicated responsible investing team. This structure is designed to optimally respond to the dynamics of our changing world, uncover unique investment opportunities, and deliver a broad array of investment outcomes with financial growth at the core.

About Aviso

Aviso is a leading wealth management services provider for the Canadian financial industry, with approximately \$146 billion in total assets under administration and management as of April 30, 2025. We're building a technology-enabled, client-centric wealth management ecosystem. Our clients include our partners, advisors and investors. We're a trusted partner for nearly all credit unions across Canada, in addition to a wide range of portfolio managers, investment dealers, insurance and trust companies, and introducing brokers. Our partners depend on Aviso for specific solutions that give them a competitive edge in a rapidly evolving, highly competitive industry. Our dual-registered investment and mutual fund dealer and our insurance services support thousands of investment advisors. Our asset manager oversees a growing lineup of investment solutions, including NEI funds and portfolios. Our Managed Assets Program provides a comprehensive range of separately managed accounts. Our online brokerage, Qtrade Direct Investing®, empowers self-directed investors, and our fully automated investing service, Qtrade Guided Portfolios®, serves investors who prefer a hands-off approach. Aviso Correspondent Partners provides custodial and carrying broker services to a wide range of firms. Aviso is backed by the collective strength of our owners: the credit union Centrals, Desjardins, and Co-operators/CUMIS. We're proud to power businesses that empower investors.

* For the full description of the relationship between Aviso and NEI Investments, please refer to NEI's simplified prospectus: https://www.neiinvestments.com/content/dam/nei/docs/en/regulatory/prospectus/NEI_Funds_Simplified_Prospectus.pdf

Scope of this report

NEI is focused on managing the sustainability-related risks and opportunities that have the potential to affect the value of our investments.

The management of risks and opportunities that have the potential to affect NEI at the entity level, rather than at the portfolio level, is carried out by our parent company.

The clearest way to understand the distinction we make between entity-level risks and portfolio-level risks is to look at two significant sustainability challenges: climate change and human capital.

NEI manages the risks of climate change and human capital—among other sustainability risks—insofar as they affect the companies in our portfolio, because those risks have the potential to affect the value of our holdings and thus impact the financial well-being of our investors. NEI does not manage the physical risks of climate change in connection with our offices, nor do we manage the risks of workforce inequality, pay equity, employee wellbeing or other human capital concerns that directly affect NEI staff. These considerations are managed by Aviso.

This distinction is important, as it establishes the NEI perspective on investment risk management and sets appropriate parameters around our disclosure and reporting efforts.

Information and data in this report generally cover the 12-month period ending December 31, 2024, unless otherwise indicated, with the exception of proxy voting. The coverage period for that data set is explained in the Stewardship chapter.

We will be sharing our latest impact metrics in a standalone report scheduled to be published later in the year. It is generally our intention to publish impact metrics as part of this report, but the information gathering and review process can sometimes take longer than anticipated. We are enhancing our analysis in line with the evolving regulatory landscape.

All currency references are in Canadian dollars unless otherwise indicated. Percentage values in charts may not add up to 100 due to rounding.

This report includes content and expands on information found in other NEI publications:

- Responsible Investment Policy
- Proxy Voting Guidelines
- Focus List
- Quarterly and ad hoc stories about our responsible investment activities

Foreword

Uncertainty has become the defining theme of our world and marketplace in 2025.

Geopolitical tensions, economic fluctuations, and environmental crises dominate the headlines, leaving many investors and advisors unsure of how to move forward confidently. Yet within this uncertainty lies immense opportunity to turn challenges into positive change and investment results.

At NEI, we believe investing responsibly is a compass that guides us through uncertainty. We believe it's also a framework for understanding how companies create value in a rapidly changing world. It's about uncovering unseen or underestimated trends and opportunities that align with principles and drive long-term performance.

Along the way, we push for meaningful incremental changes that build over time and lead to significant transformation. Whether it's improving supply chain transparency, increasing board diversity, or reducing carbon footprints, small shifts compound into significant advantages. This is where NEI's approach stands out: rather than chasing trends or reacting to headlines, we focus on creating lasting value.

This report documents our responsible investment activities from the past year, showcasing our investment model and our stewardship efforts, including productive engagements with companies worldwide. We hope it instills confidence in NEI's approach to investing responsibly and delivering results for Canadians.

Responsible investing isn't about choosing between performance or purpose. It's about recognizing that the two are inextricably linked. It's not an "either-or" proposition—it's a "both-and" opportunity.



Tim Prescott
Senior Vice President,
Head of Asset Management

Introduction

We are operating in a world of not just rapid change but increased complexity.

Geopolitical shifts introduce volatility and redefine market dynamics, impacting supply chains and business models. Climate change presents both risks and opportunities in the transition to a low-carbon economy. Evolving social norms reshape consumer behaviour and employee productivity. Technological advances, particularly in Artificial Intelligence and data analytics are altering how we assess risk, identify opportunities and manage portfolios.

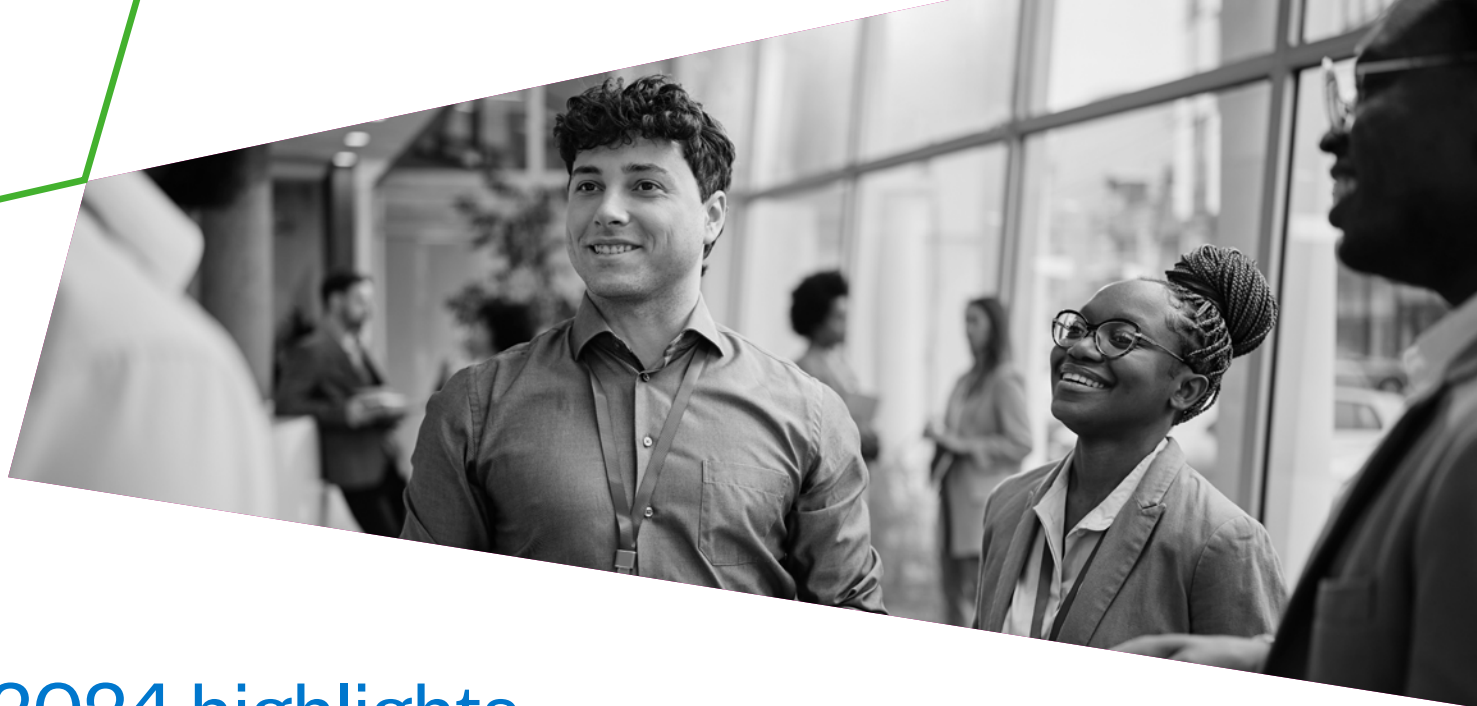
Navigating change and complexity requires a unified and strategic approach. At NEI, our investment team, sub-advisors, and our RI team are aligned to deliver both performance and purpose. Our network of world-class sub-advisors, collectively managing approximately US\$10 trillion in assets, bring global expertise and disciplined investment approaches to help us meet financial goals while helping us deliver on our stewardship and sustainability goals.

We're living in an era of seemingly permanent changes to economic norms. But today's challenges are tomorrow's opportunities. Here at home, we have a unique opportunity to accelerate our productivity and ultimately boost prosperity for all Canadians. By focusing on resilience and responsiveness, we can champion a strategic and long-term approach that not only addresses key socioeconomic and environmental challenges but also positions us to thrive in a rapidly evolving global landscape.

I invite you to explore this report which reflects our dedication to delivering results for our clients while also building a more sustainable, equitable, and resilient future for all.



John Bai, CFA
Senior Vice President,
Chief Investment Officer



2024 highlights

- Participated on two panels at the SHARE Investor Summit in Vancouver
- Hosted an event for the Initiative for Responsible Mining Assurance¹ at our Vancouver office
- Sponsored the Principles for Responsible Investment (PRI) conference held in Toronto, participated in a roundtable and panel on Indigenous rights, and hosted a side event on ethical AI
- Received a Clean 50 award for our “Net Zero Action Plan”
- Co-hosted a climate disclosure event with CDP in Calgary, attended by several large energy companies
- 100 hours of sub-advisor due diligence meetings
 - Denmark, U.S., Canada, Scotland, England
- 98 companies engaged across focus themes of social capital, natural capital, net-zero alignment and governance issues, with 194 short-term objectives set
- 1,005 annual general meetings and special meetings voted
- 450 shareholder proposals voted, 1 proposal co-filed
- Organized a roundtable with five oil and gas companies and five financial institutions in coordination with the Oil & Gas Methane Partnership 2.0 (OGMP 2.0)
- Speaker at The Summit for Asset Management Toronto (TSAM) on regulation, climate and biodiversity risks
- Speaker at Responsible Investor’s USA Conference on board competence and capabilities
- Speaker at University of Toronto about corporate social responsibility and governance

¹ NEI Head of Stewardship Jamie Bonham is a member of the board of directors of the Initiative for Responsible Mining Assurance.

- Multiple meetings related to the Canadian Sustainability Disclosure Standards, including a TMX Group roundtable, PRI events, Investment Funds Institute of Canada's² RI/ESG Task Force participation, consultations, and presentation to Pension Investment Association of Canada
- Participated in multi-stakeholder events with the Initiative for Responsible Mining Assurance, including board, finance, and risk meetings, and with investors and Indigenous leaders
- Attended the 2024 bi-annual meeting of the Climate Engagement Canada Industry Leaders Advisory Panel
- Spoke at the May 2024 Responsible Investment Association conference on regulatory developments in Canada, chaired a breakout group for the climate change statement roundtable, moderated and participated in an advisor panel
- Sponsor of the Responsible Investment Association's RI Trends report, speaker at RI Trends webinar
- Attended TD Calgary Energy & Power Conference
- Attended the First Nations Major Project Coalition conference
- Performed a review of the Access to Medicine Foundation on invitation from the foundation's CEO
- Discussions with Ceres and the Net-Zero Asset Managers initiative on climate solutions
- Discussions with Energy Futures Lab on a net-zero competitiveness project

² The Investment Funds Institute of Canada was renamed the Securities and Investment Management Association in March 2025.



Investment model

NEI Investments is focused on producing strong financial outcomes for our clients, based on a disciplined investment process incorporating broad data sets, diverse perspectives, and a holistic view of investment risks and opportunities.

We seek to invest responsibly by considering all factors that could impact companies' viability, profitability and future value. These include systemic risks that cannot be mitigated through diversification or divestment and that have the potential to affect investment returns, such as climate change, human rights and nature loss.

We engage with companies in our portfolio to help them become more resilient over the long term. We firmly believe that companies can mitigate risk and take advantage of emerging business opportunities by improving their performance on environmental, social and governance (ESG) factors, also referred to as non-financial factors, and by integrating best practices into their strategies and operations. Further, we believe it is paramount for long-term sustainable value creation that companies carefully consider all forms of capital—that's economic capital, social capital, and natural capital. Without appropriate management of these inputs to a company's operations, the capital is at risk of being destroyed, perhaps permanently. In order to meet our clients' needs, we take it upon ourselves to

influence the companies in our portfolio through proxy voting and engagement to improve their capital management for future cash-flow generation.

To deliver on our objectives, NEI operates an "open architecture" investment model that incorporates two interlinked roles. First, we are a manager of managers. Second, we offer innovative standalone and multi-asset investment solutions.

NEI is a manager of managers. We select independent sub-advisors from around the world based on their specific area of expertise for a given mandate. Our roster of sub-advisors includes both large and boutique firms with varying degrees of responsible investment expertise, which is assessed as part of our manager selection and ongoing due diligence process. We maintain active, collaborative relationships with our sub-advisors on the implementation of our responsible investment program and its outcomes.

NEI offers innovative investment solutions. Using the standalone investment funds managed by our sub-advisors as building blocks, we assemble multi-asset solutions where we make strategic and tactical asset allocation decisions in the pursuit of long-term success for our clients.

Embedded within these two roles are the activities we undertake as responsible investors:

- **Sub-advisor oversight:** ongoing due diligence and collaboration
- **Exclusionary screens:** two tiers of revenue-based exclusions
- **ESG evaluations:** in-house program to determine and monitor investment eligibility
- **Thematic investing:** managed by the sub-advisor
- **Impact investing:** managed by the sub-advisor
- **Stewardship:** applies to our entire investment portfolio
 - **Proxy voting** – in-house program covers all votable equity securities
 - **Corporate dialogue** – solo and collaborative initiatives
- **Policy advocacy:** broad-based influence on key industry developments and challenges

This is a dynamic, flexible, and continually evolving approach that broadens our perspective on risks and opportunities and widens the range of data points that inform our investment decisions. With this model in place, we feel we are well positioned to deliver the long-term results our clients expect when they choose to invest with NEI.



Governance and implementation

Editor's note: The information in this section is valid as of the report's main reporting period of January 1 to December 31, 2024. In July of 2025, NEI's Portfolio Management team and Responsible Investing team were combined into one Investment Team, resulting in staff changes. Revisions to our governance and implementation model that reflect the organizational changes will be explained in next year's report.

NEI's responsible investment strategy and related activities are overseen by NEI's Investment Committee, which oversees the investment policies and strategies relating to NEI's funds. The mandate of the Investment Committee is established by the Aviso Board of Directors. The Investment Committee is chaired by the Senior Vice President, Head of Asset Management of Aviso, which includes NEI Investments. Other members include members of the Aviso Executive Team and Aviso shareholders. NEI's Vice President, Head of Responsible Investing communicates the organization's responsible investment activities to the Investment Committee on a quarterly basis and to the Aviso Board of Directors from time to time as appropriate. The Investment Committee reports regularly to both the NEI and Aviso Boards of Directors.

NEI's Asset Management Executive Committee (AMEC) is responsible for the execution of NEI's responsible investment strategy and activities. The AMEC is chaired by Aviso's Senior Vice President, Head of Asset Management. NEI's Vice President, Head of Responsible Investing is a member. The AMEC is responsible for strategic business decisions related to responsible investing, among other

strategic matters, such as offering new funds or altering the investment objectives of existing funds, hiring and replacing investment managers, and allocation of NEI's operating budget. Approval of these matters is required by the NEI Board of Directors or the NEI Investment Committee.

The AMEC oversees various sub-committees within NEI, including the Responsible Investment Committee (RIC), chaired by NEI's Vice President, Head of Responsible Investing. Members of the RIC come from departments across the organization and include analysts, managers, directors, vice presidents and heads of departments, up to and including Aviso's Senior Vice President, Head of Asset Management.

The mandate of the RIC is to monitor NEI's approach to responsible investing and its alignment with the strategic goals of Aviso's asset management division. In particular, the committee will review reports, briefs, policies, and other documents relating to NEI's implementation of its approach to responsible investing, along with any other matters brought forth to the committee for review and/or approval. Through this forum, responsible investment trends, research, challenges, processes, and other items of interest are discussed. The RIC is a voting body. Matters that

have been put to a vote include changes to NEI's exclusionary screens, adoption of climate targets, and annual updates to our Responsible Investment Policy.

Day-to-day work is predominantly carried out by two teams within the organization—the Portfolio Management team and the Responsible Investing team. The Portfolio Management team is responsible for investment manager research, selection, and ongoing oversight. The Responsible Investing team is responsible for company evaluations and exclusions, proxy voting, engagement, and policy work. The teams meet regularly and participate together in manager due diligence meetings and other collaborative initiatives with managers such as climate strategy and corporate engagement. The teams discuss significant escalation measures, such as divestment of a security, in the case where company evaluations or unexpected developments reveal major problem areas.

Within the Responsible Investing team, duties are handled by specialists in areas such as proxy voting, corporate engagement, company evaluation, policy submissions, data management and analysis, writing, and reporting. Team members participate in external working groups and collaborative initiatives led by such organizations as Canadian Coalition for Good Governance, Ceres, Circular Economy Leadership Canada, Interfaith Center on Corporate Responsibility, and Access to Medicine Foundation. NEI's Climate Working Group is led by the Responsible Investing team and chaired by NEI's Head of Stewardship, with participation from staff from around the organization.



Exclusionary screening

What it is and why it matters

Excluding companies from the investable universe of our funds is a baseline activity of our responsible investment program. We purposely do not invest in companies where:

- their products intrinsically cause grievous harm to society that cannot be mitigated, and no level of engagement can influence positive change
- there exists an international treaty or convention aimed at eliminating the product

How it works

Exclusions are divided into two sets, firm-wide and fund-specific.

Firm-wide exclusions

Companies with sustained revenues generated from the activities below are automatically excluded from our funds. We refer to these screens as “firm-wide exclusions,” as they apply generally to our entire

fund lineup³:

- Automatic and/or semi-automatic weapons manufacturing for civilian use
- Controversial weapons: cluster munitions, anti-personnel landmines, biological and chemical weapons, nuclear weapons
- Tobacco production and manufacturing

The weapons screens are “norms-based” screens, which is when issuers are assessed against minimum standards of international business practice. Frameworks used to identify and define such standards include Security Council sanctions, the UN Global Compact and UN Human Rights Declaration, International Labour Organization standards, the Kyoto Protocol, and guidelines provided by the Organization for Economic Cooperation and Development.

Fund-specific exclusions

In addition to the firm-wide exclusions, for certain funds we also implement a second set of exclusions with a revenue threshold of 10%.⁴ For marginal

³ Exclusionary screens do not apply to NEI Managed Asset Allocation Pool, held within NEI Private Portfolios. Exclusions apply where NEI has full portfolio management discretion; NEI does not have full portfolio management discretion over third-party funds or derivatives.

⁴ To learn which exclusions apply to which funds, see our prospectus: https://www.neiinvestments.com/content/dam/nei/docs/en/regulatory/prospectus/NEI_Funds_Simplified_Prospectus.pdf

cases, we specify companies must have *sustained* revenue above the threshold. To meet the definition of “sustained,” revenue would need to be over or under the threshold by at least one percentage point on a rolling three-year basis. The exclusions below are current as of June 28, 2024, when we removed the nuclear power, gambling, and fossil fuel exclusions from our program.

- The distribution of automatic or semi-automatic weapons intended for civilian use
- The manufacture of military weapon systems and/or tailor-made components for those systems
- The distribution of tobacco and/or tobacco-related products

Screening snapshot

Table 1: Breakdown of screening results for 2024

		No. of issuers excluded as of December 31, 2024
Firm-wide (0% revenue threshold)	Automatic and/or semi-automatic weapons manufacturing for civilian use	4
	Controversial weapons: cluster munitions, anti-personnel landmines, biological and chemical weapons, nuclear weapons	38
	Tobacco production and manufacturing	47
Fund specific (10% revenue threshold) *	The distribution of automatic or semi-automatic weapons intended for civilian use	1
	The manufacture of military weapon systems and/or tailor-made components for those systems	91
	The distribution of tobacco and/or tobacco-related products	11
Total excluded		192 (1.5% of screened universe)

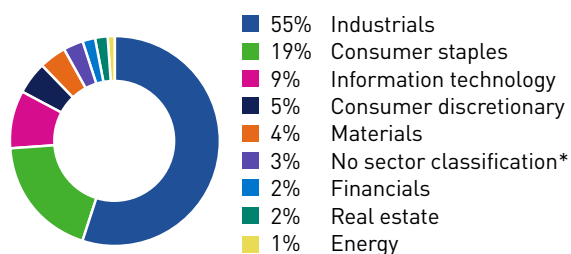
* The gambling and nuclear power exclusions previously applicable to certain funds were removed from our program on June 28, 2024. As of June 27, 2024, there were 100 companies excluded based on gambling revenue and 46 excluded based on nuclear power revenue. Those numbers are not included in the table.

Screening process

Every quarter, we identify and update the list of securities that meet the criteria for exclusion. We perform additional research to confirm revenue exposures in cases where we must rely on estimates from the data provider because data are not directly reported by the company. We also review our holdings to ensure that we do not own any securities on our exclusion list in the relevant funds. Sub-advisors are required to divest from companies that became ineligible in the quarter.

When we assess revenue exposure at affiliated companies, we look at first degree relationships as well as companies controlled or significantly influenced by the excluded company. Additionally, as part of our evaluation process, sector analysts will review the revenue exposure of a company during the headline risk assessment and/or baseline expectations review to ensure no thresholds are being exceeded.

Figure 1: Issuers excluded by sector



*Primarily private and state-owned enterprises. Source: NEI exclusion records.

On June 28, 2024, NEI removed the automatic exclusions for gambling, nuclear power, and fossil fuels that had applied to certain funds, enabling a more research-driven approach to investment selection. Beyond the few norms-based screens that remain as firmwide exclusions, we believe that conducting fundamental analysis on each company is the best way to fully assess investment risk and opportunity rather than relying on an automatic exclusion.

It is important to keep in mind that companies involved in the formerly excluded industries would only enter a fund if the sub-advisor chose to invest in them in line with the fund's mandate, and then only after receiving a thorough evaluation. Companies deemed ineligible by NEI would not be permitted to enter the relevant fund.

Opportunities in Canada's nuclear industry

This article was originally published on February 19, 2025. No edits have been made to it since that date.

Nuclear energy is expected to be a crucial contributor to lowering the world's carbon emissions output to net zero by 2050. The International Energy Agency (IEA) puts it this way: "As an established large-scale low emissions energy source, nuclear is well placed to help decarbonise electricity supply."⁵ Without a rise in nuclear energy sources (or worse, with a decline), the IEA calculates that renewable sources such as solar and wind would need to take up a significant amount of slack, along with greater reliance on new technologies that are not yet commercially viable, such as geothermal energy and carbon capture and storage. The transition to the low-carbon economy would be significantly more challenging and expensive.

At the end of July 2024, NEI removed its exclusion on nuclear energy companies so that we could provide more opportunities for investors in this area.⁶ The companies that became eligible for investment in NEI ESG Canadian Enhanced Index Fund following our baseline review were Cameco, Denison Mines, Energy Fuels, and Nexgen Energy.

The two most significant material risks we evaluated as part of the baseline review, common to all nuclear energy companies, were safety and waste management. Because nuclear energy is such a highly regulated industry in Canada and around the world, we are able to rely on company adherence to those regulations as our primary means of risk assessment. Regulations and by-laws under the Nuclear Safety and Control Act include titles such as General Nuclear and Safety Control Regulations, Radiation Protection Regulations, Uranium Mines and Mills Regulations, and Nuclear Security Regulations, among others.⁷

One area that we spent more time researching was the companies' relationship with Indigenous peoples, especially with respect to mining—all of which currently occurs in northern Saskatchewan.⁸

⁵ <https://www.iea.org/reports/nuclear-power-and-secure-energy-transitions/executive-summary>.

⁶ <https://www.neiinvestments.com/content/dam/nei/docs/en/press-releases/2024/NEI-SPFiling-PR-en.pdf>.

⁷ <https://www.cnscccsn.gc.ca/eng/resources/news-room/feature-articles/cnsc-unique-regulator/>.

⁸ <https://www.cnscccsn.gc.ca/eng/uranium/mines-and-mills/>.

For example, Cameco, which is among the top five uranium producers in the world,⁹ has a community engagement program that brings together another mining company, four municipalities, and three First Nations. There is also a long-term environmental monitoring program established for the Eastern Athabasca region, designed to monitor cumulative downstream effects of uranium and milling operations. Denison Mines has an Indigenous Peoples Policy, and in 2023, the company signed a Shared Prosperity Agreement with English River First Nation for the development and operation of the company's Wheeler River project.¹⁰

As of this writing the companies have a neutral weighting to the Solactive Canada Broad Market Index, which is the index our fund seeks to replicate. NEI ESG Canadian Enhanced Index Fund is rebalanced annually, so there is the potential for the weights to be adjusted in the future based on subsequent evaluations—they may be overweighted, underweighted, or remain neutral relative to the index. All four companies, led by Cameco, have outperformed the Solactive Canada Broad Market Index and the S&P/TSX Composite Index since they first entered the fund on August 16 last year. By December 31, 2024, shares of Cameco had surged 34%, roughly four times the return of each of the two indices.

There are many demand drivers that we believe support the case for ongoing opportunities in the nuclear energy sector. The need for low-carbon energy sources able to provide reliable baseload power¹¹ is one prominent and growing factor. The surge in demand for cloud computing and artificial intelligence services, which are energy intensive operations, is another. As the prevalence of electric vehicles increases, so too does the need for grid power to re-charge them—another use case for nuclear energy. The trend of “reshoring,” which is when countries bring back industrial and manufacturing operations that had been transferred overseas, is also leading to increased energy needs for the home country. This is a growing trend in the U.S. and is only expected to grow more with the incumbent Trump administration.

Policy support is also increasing. The Biden administration's Inflation Reduction Act offered significant tax incentives for the industry; the European Commission has included nuclear energy in its climate taxonomy; and at COP28, more than 20 countries (including the U.S. and Canada) endorsed the “Declaration to Triple Nuclear Energy” by 2050.¹²

That's not to say we expect the upscaling of the industry to be a smooth process. Infrastructure build-outs take time in any industry, let alone one as controversial as nuclear. The regulatory environment and permitting procedures are complex, though several initiatives have been introduced to lighten the burden. Other challenges include a dearth of skilled labour and supply chain constraints.

Despite the hurdles, the bottom line is that nuclear energy plays a significant role in global carbon emissions reduction, and that is likely to translate to investment opportunities.

⁹ <https://world-nuclear.org/information-library/nuclear-fuel-cycle/mining-of-uranium/world-uranium-mining-production>.

¹⁰ <https://denisonmines.com/news/denison-announces-signing-of-landmark-shared-prosp-122794/>.

¹¹ Baseload power sources are the plants that must continuously operate to meet minimum power demand and are critical components of an electrical grid.

¹² <https://www.energy.gov/articles/cop28-countries-launch-declaration-triple-nuclear-energy-capacity-2050-recognizing-key>.



Evaluations

What it is and why it matters

Evaluating companies on their ESG performance and then incorporating that information into our investment decision-making process is a key factor in the decision to buy, hold or sell a security. A company's ability to effectively manage its material ESG issues affects its business operations and strategy, and thus the overall performance of our funds. Because companies in different sectors and geographical regions are exposed to different and varying degrees of risks, we must analyze them within their operating contexts to make better investment decisions. Evaluation results also feed into our proxy voting decisions and our engagement strategy by helping us determine priority themes and setting objectives for individual companies.

How it works

The process outlined below may be carried out by the sub-advisor for the relevant fund, by NEI, or through joint effort.

Identification of industry-specific material ESG risks. Material ESG risks vary from industry group to industry group; some industries inherently carry more risk than others. The RI team analyzes these risks and conducts material risk assessments specific to industry groups.

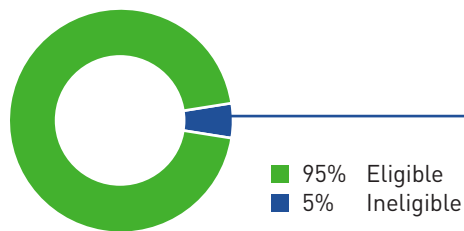
Establishment of baseline expectations. Baseline expectations are measures that companies in an industry group must fulfill to satisfy us that they are managing material risks appropriately.

Broad-based benchmarking. We also conduct, through the establishment of key performance indicators (KPIs) relative to specific ESG risks, industry group-specific and broad-based benchmarking to assess each company's performance relative to its peers. The benchmarking may be performed qualitatively or quantitatively for certain NEI funds. Companies are categorized based on their ESG performance. These performance categorizations do not, in and of themselves, determine eligibility for investment. Rather, they are useful for determining potential corporate engagement opportunities:

- An engagement with a leader can help raise the bar for the entire sector.
- An engagement with a company with average performance could focus on improving specific ESG deficiencies that are hindering sector leadership.
- Engagements with companies with room to improve will seek to address material, unmitigated risks.

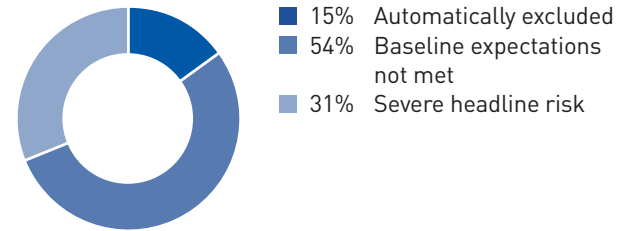
Headline risk assessment. We scan for headline risk to identify unethical or illegal business practices or involvement in controversial situations. Exposure to controversy leads to further scrutiny of the severity of the incident or issue and the company's efforts to manage it. Depending on the severity of the risk, we may seek to engage the company on the topic or deem it ineligible for investment until the risk is mitigated.

**Figure 2: Evaluations summary
(% of 761 companies)**



Source: NEI evaluation records.

**Figure 3: Rationale for ineligibility
(% of 39 ineligible companies)**



Source: NEI evaluation records.

Companies that are deemed ineligible for investment are not permitted to enter any fund for which we conduct evaluations unless the company passes re-evaluation at a later date; however, those companies may still be held in funds not subject to our evaluation process.

- Companies that were automatically excluded derived significant revenues mainly from activities related to nuclear power, tobacco distribution, and conventional weapons. After our nuclear power screen was removed in June 2024, four energy companies previously excluded were deemed eligible for investment, as they met our baseline expectations following our evaluation.
- Severe headline risks were most often related to human rights impacts of technology companies, product safety at healthcare companies, and environmental impacts of energy and mining companies.
- Companies deemed ineligible for not meeting baseline expectations often did not have adequate disclosures on how they address the material ESG risks facing their industry.

Refreshing our material risk assessments

Beginning in 2024 and continuing through 2025, NEI has been refreshing the material risk assessments (MRA) we use to set baseline expectations and key performance indicators for the companies in our portfolio.

The purpose of a material risk assessment is to identify the risks that are most likely to significantly impact companies in a given industry group. As the material risks evolve over time due to various factors, we need to ensure that the expectations we set for the companies we invest in are adjusted to account for

emerging and growing risks, and the progress made by companies to mitigate those risks.

The work we are doing will update our understanding of how likely an existing or emerging issue may impact a company in an industry group, and how severe the risk could be if it is not managed properly. Our assessment incorporates our in-depth review of regulatory developments, existing and new international standards and frameworks, industry initiatives and trends, scientific reports, and controversy trends. We are also leveraging the learnings from our corporate engagements to assess the level of risk and the progress companies have made to address a specific issue.

Case study: Evaluation of a casino operator

NEI removed its automatic exclusion for gambling on June 28, 2024, so that we could take a more bespoke approach to the investment decisions around companies involved in that industry. We believe it is more effective to assess and address the material risks at the company level rather than adopting a blanket exclusion.

One of the most material risks facing the gambling industry is money laundering, due to the high volume of financial transactions involved, the potential for anonymity and lack of transparency. The risk is particularly high for online gambling platforms. It is essential that a gambling company has proper safeguards in place to address the risks such as customer due diligence, transaction monitoring and reporting of suspicious activity.

Following the removal of the screen, Wynn Resorts became one of the companies we assessed for inclusion in our funds. Based on our evaluation, the company met our baseline expectations, although their anti-money laundering processes raised further questions. Indeed, we noted that Wynn Las Vegas, a subsidiary of Wynn Resorts Limited, reached a non-prosecution agreement in September 2024 and agreed to forfeit US\$130 million to settle criminal allegations

that it conspired with unlicensed money transmitting businesses worldwide to transfer funds for the financial benefit of the casino.¹³ This issue led us to reach out to the company to further understand the steps they have been taking to remediate the issue and enhance their anti-money laundering program.

We learned that Wynn Resorts has been tracking various performance metrics to evaluate the effectiveness of their compliance program, including transaction monitoring effectiveness, training completion, and filing rates of suspicious activity reports. Additionally, the company has been engaging with an external expert to conduct a risk assessment. They have enhanced their training for all casino and marketing employees since the investigation began over a decade ago, and they continue to conduct regular training for all casino and marketing employees. Given all these steps, and the fact that the company ceased all online gambling operations and will not derive any related revenues going forward, we deemed the company eligible for investment in our funds—though we continue to monitor them as we do all the holdings in our funds.

¹³ <https://www.justice.gov/usao-sdca/pr/wynn-las-vegas-forfeits-130-million-illegally-conspiring-unlicensed-money-transmitting>.

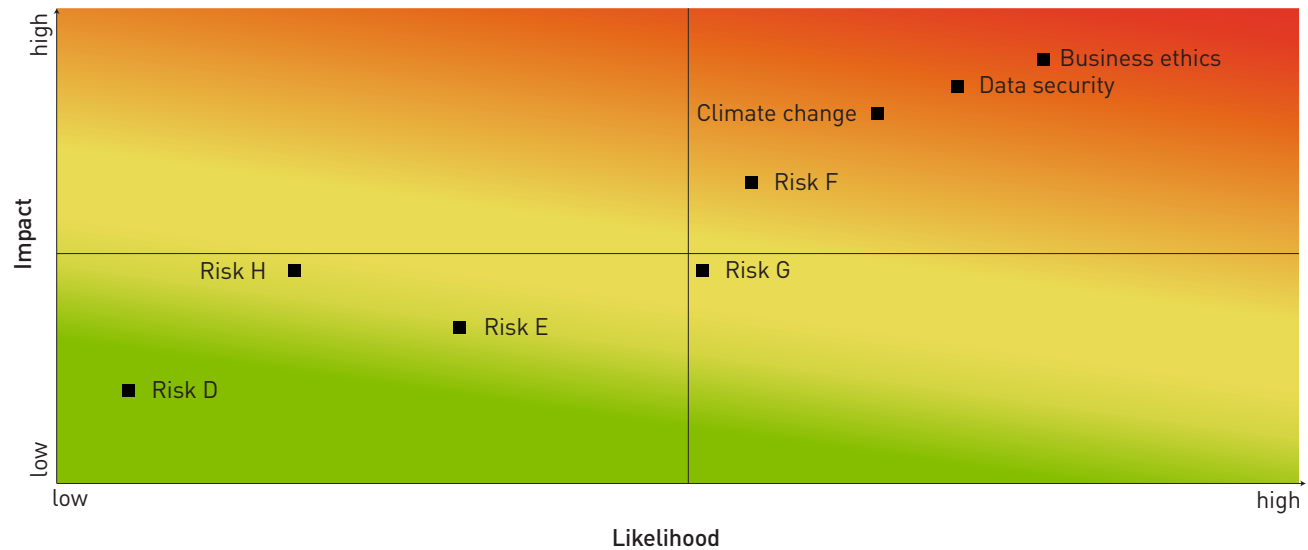
Figure 4 shows an example of what the result of our assessment looks like for banks and diversified financials. For this industry group, we have determined that the top three material risks most likely to have a significant impact if not managed properly are business ethics, data security, and climate change. We have blanked the remaining risks in respect of the proprietary nature of the assessment.

Business ethics. While trust in the financial sector has grown over the years since the 2008 financial crisis, misconduct remains a significant concern in the industry. Predominant issues include fraudulent practices, money laundering, misleading sales practices and market manipulation. As the banking industry is heavily regulated and regulatory expectations are continuously enhanced to ensure financial system integrity, failure to effectively address these issues may lead to hefty penalties, asset growth restriction and major governance and operational overhaul.

Data security. Banks and diversified financials hold a vast amount of personal, financial and transaction data, which subjects them to an increased likelihood of cyberattacks. The risks are heightened with the significant adoption of digital banking, artificial intelligence and cloud computing. Ensuring data privacy and security in these advanced technologies and sophisticated systems is paramount in this industry group, noting that the risk is dependent on the size and scale of the institutions' operations and complexity of their technology infrastructure.

Climate change. Banks and diversified financials are integral to the global economy, as they provide financing and facilitate investment across numerous economic sectors. While their operational emissions footprint is relatively small, the business segments that they finance and invest in expose them to increasing climate-related risks as the transition to a low-carbon economy accelerates and the physical impacts of climate change become more pronounced. It is critical that this industry group effectively addresses these risks, for example, by developing a climate strategy and transition plan, and by integrating the risks of climate change into client due diligence and into financial decisions.

Figure 4: Banks and diversified financials MRA heatmap



NEI ESG Canadian Enhanced Index Fund

Investment objective: To achieve long-term capital growth through tracking the performance of a Canadian equity index which is focused on companies with an enhanced environmental, social and governance profile.

Fund inception date: December 3, 2018

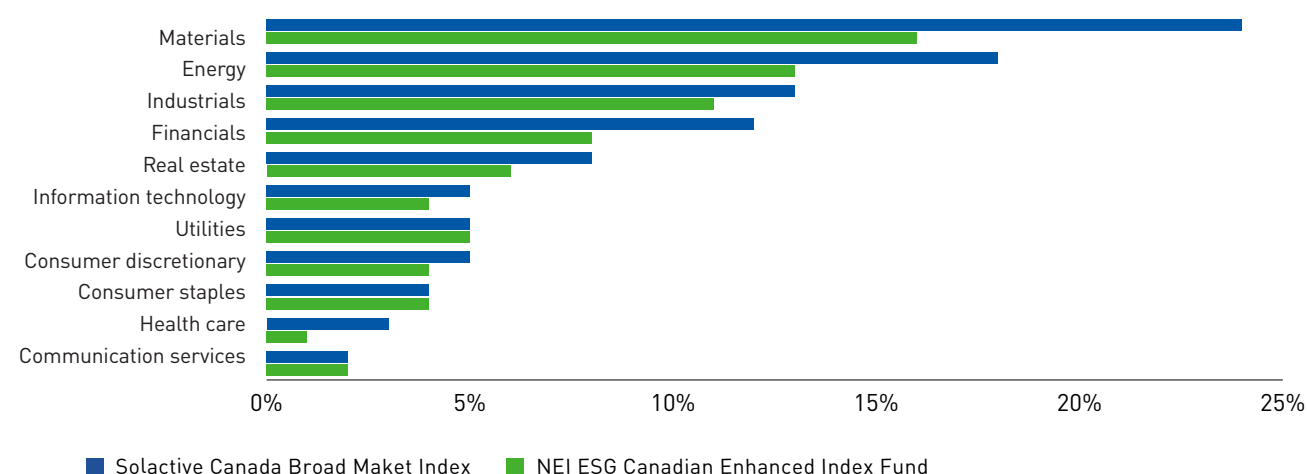
Our evaluation process plays a feature role in the management of NEI ESG Canadian Enhanced Index Fund. The fund starts its equity analysis with the Solactive Canada Broad Market Index.¹⁴ Companies must have a market capitalization of at least \$1 billion to be included in the fund, and it must remain above \$750 million thereafter. The next step is the application of automatic exclusions, as described on page 14.

Then we apply our evaluation framework as described above. As a result of that process, we may exclude companies for not meeting our expectations. The companies that remain may be overweighted relative to the index, maintain their index weight, or be underweighted relative to the index. The fund is rebalanced quarterly.

Table 2: Year-over-year fund composition changes

	December 2024	December 2023
No. of holdings	210	194
No. of companies excluded based on size and data coverage	45	47
No. of companies automatically excluded based on screens	0	6
No. of companies excluded after evaluation	19	23
No. of companies categorized as ESG leaders	47	55
No. of companies upgraded year over year	32	–
No. of companies downgraded year over year	27	–

Figure 5: Fund vs index sector allocation as of December 31, 2024



¹⁴ A free float market capitalization index that covers all Canadian securities listed on the Toronto Stock Exchange which fulfill basic liquidity criteria.



Stewardship

What it is and why it matters

As responsible investors, our goal is to grow long-term sustainable value for our clients. We believe one of the most effective ways to achieve that goal is to exercise our rights as shareholders, using corporate engagement and proxy voting to express our views on corporate direction. In a spirit of collaboration, we discuss with companies how they can improve their environmental, social and governance performance to achieve long-term sustainability. This is called stewardship.

The International Corporate Governance Network explains it this way:

“...investor stewardship helps to promote high standards of corporate governance which contributes to sustainable value creation, thereby increasing the long-term risk adjusted rate of return to investors and their beneficiaries or clients. At an investor level, stewardship is about preserving and enhancing long-term value as part of a responsible investment approach. This includes the consideration of wider ethical, environmental, and social factors and the consideration of relevant systemic risks as core components of fiduciary duty.”

The acknowledgment in this definition of “relevant systemic risks as core components of fiduciary duty” is worth reiterating. When the objective is to

produce long-term sustainable returns for investors, the benefits of seeking to mitigate material non-diversifiable risks to our portfolio become obvious. Only once we have incorporated consideration of complex, global challenges such as climate change and human rights concerns into our investment process can we say that we are doing our duty.

The other main activity we undertake in connection with our stewardship program is policy advocacy. Engaging on policy and standards in Canada and globally enables us to contribute to system-wide change. Whether we are talking with policymakers, regulators, standard setters, or industry associations, the time and energy we dedicate to this area can raise the bar for everyone.

New reporting framework

This year, we present our corporate engagement progress within a new framework. We have put greater emphasis on the tangible objectives we have set with our focus companies, and on sharing the progress we are making toward those objectives. Our goal is to improve transparency and accountability so that our investors and other stakeholders can see with greater clarity how NEI strives to create long-term sustainable value through corporate dialogue.

One of the key resources used to develop our framework is the UK Stewardship Code, which focuses on the reporting of stewardship activities and outcomes that “clearly demonstrate the practical application of stewardship policies and explain how these activities supported the delivery of long-term sustainable value for clients and beneficiaries.”¹⁵

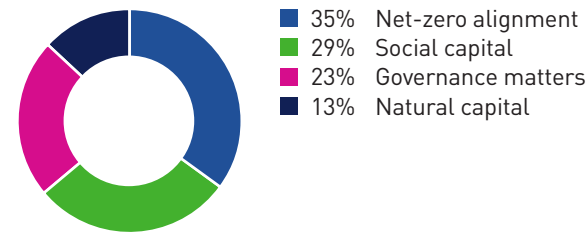
Other resources used in developing the framework come from the Principles for Responsible Investment, the Canadian Coalition for Good Governance, and extensive reviews of peer reports.

Effective stewardship involves long-term change management that rarely progresses in a straight line, incorporating many players in a complex ecosystem. As investors, we are but a small factor in an equation that includes passionate and committed leaders, internal champions and visionary boards, regulators and standard-setters, governments and non-governmental organizations, civil society, market forces, and more.

To be clear, this is more than just a reporting exercise. The work entails an evolution of our engagement program, now in its third decade, that we expect will streamline and focus our efforts, allow us to go deeper on select engagements, and improve discipline, record-keeping, and overall program rigour. It is an iterative process that will change and improve over time as we learn by doing.

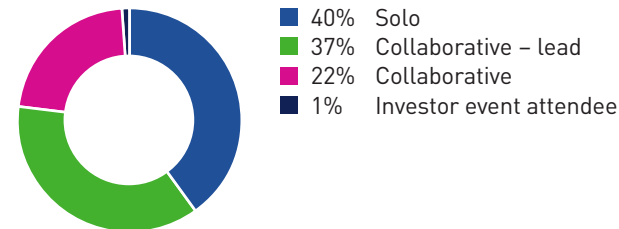
Corporate engagement snapshot

Figure 6: Focus themes



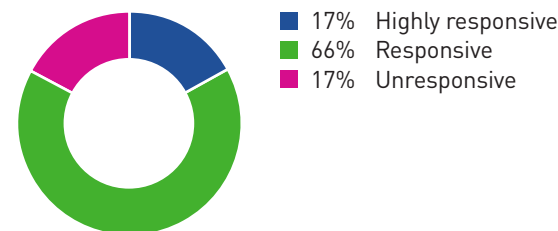
The topics which roll up into themes are counted once for a given company. For example, if we meet with one company three times over the course of the year on the topic of net-zero alignment, it will count as one topic. Source: NEI engagement records.

Figure 7: NEI role



NEI role is counted for every individual engagement activity, even if we discuss the same topic multiple times at the same company, since those activities could be solo or collaborative depending on circumstances. Source: NEI engagement records.

Figure 8: Topic responsiveness



Responsiveness is counted by topic, not by company. For example, we may determine that a company we met with was responsive on the topic of net-zero alignment and defensive on the topic of executive compensation. Source: NEI engagement records.

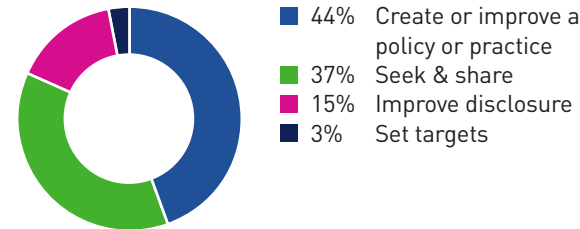
¹⁵ The UK Stewardship Code 2026, published by the Financial Reporting Council. <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/>.

Baselining company objectives and progress status

As this is our first year reporting in our new framework, the data we are presenting is constrained to a point-in-time baseline assessment. In other words, we will not be reporting much *movement* in objectives from one progress category to another until next year. Objectives have been assigned a progress category based on their current status. As time goes on, we will follow up on how companies are doing in achieving the objectives we have set, and we will report their advancement from one progress category to the next. We define company-specific objectives as tangible goals deemed by NEI to be achievable in a 24-month period. They are subject to change as engagements evolve over time.

A total of 194 objectives were assigned to 98 companies in 2024, with each objective assigned a progress status. Many companies have more than one objective assigned to them. While we have done our best to ensure the progress status for each objective is valid as of March 31, 2025, it is possible that some objectives have advanced or even been achieved in the time since the initial assessment and publication of this report. That movement will be reported in next year's annual report.

Figure 9: Breakdown of 194 engagement objectives



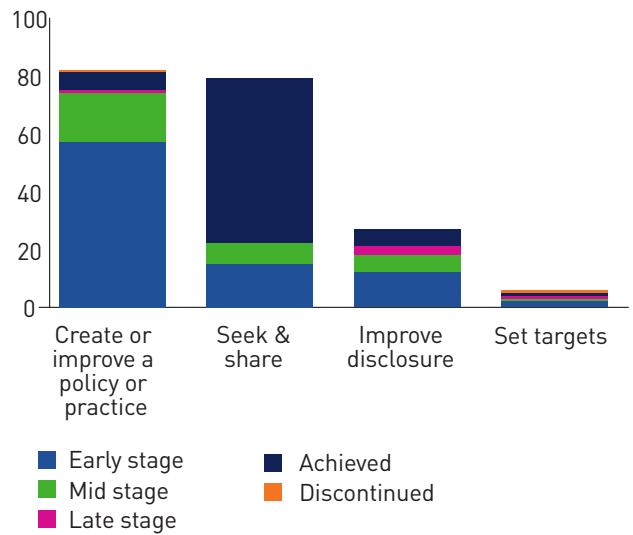
Source: NEI engagement records.

Table 3: Objective categories and examples

Category	Context	Example of a company-specific objective*
Seek & share	This category is reserved for initial meetings as we learn about the company's approach to risk management. Once we have begun to set tangible objectives based on our understanding of where the company should be directing its efforts, the other three objective categories come into play and this objective will be marked as achieved.	For Agnico-Eagle Mines: Discuss responsible mining standards.
Create or improve a policy or practice	Policies establish essential guidelines for corporate behaviour. When corporate behaviour falls short of stakeholder expectations, leading to potentially damaging outcomes, the fault may lie in weak policies and/or implementation of those policies, i.e., practices and procedures. We encourage companies to develop, implement, and oversee (often at the board level) strong policies to govern their actions.	For Alphabet: Conduct a human rights impact assessment.
Improve disclosure	The purpose of corporate disclosure is to help investors make informed decisions with all relevant information at hand. Over the years, investors have grown more aware of the relevancy and influence of non-financial information such as environmental and social factors on a company's overall health. Climate, human rights, and diversity are just some of the areas where deeper disclosure is increasingly sought by investors.	For Canadian National Railway: Enhance disclosure on capex alignment with net-zero pathway.
Set targets	Targets can be applicable to any area of the business where improvement is desired. Companies may have diversity targets, employee satisfaction targets, climate targets, waste reduction targets, and many more. In addition to framing a quantifiable improvement, targets are incredibly important for focusing activity and maintaining accountability.	Lowe's: Set a timebound deforestation target.

*Subject to change without notice.

Figure 10: Breakdown of 194 objectives by category and progress status



Note that objectives in the Seek & share category are typically achieved very early in the engagement, due to the nature of the objective. Seek & share objectives represent the raising of the concern by NEI and the company's acknowledgement of our views, as well as our own information gathering and research. Achievement of Seek & share objectives indicates the groundwork has been laid and both NEI and the company are primed to take action to address the issue.

Table 4: Progress categories

Category	Context	Example case: Improving a diversity policy*
Early stage	These objectives are either at the "Seek and share information" stage (see Table 10 above), or the company has agreed to study the matter but has yet to make any commitments toward action or change.	A technology company is amenable to the idea of reviewing its diversity policy to determine whether it needs improvement.
Mid stage	These objectives have moved into a more action-oriented stage, where the company has taken demonstrable steps toward achieving the objective.	After reviewing its diversity policy, the company commits to hiring a third-party consultant to provide recommendations.
Late stage	These objectives are nearing completion with identifiable milestones tracked over time.	The company confirms a third-party review has been completed and recommendations sent to the board.
Achieved	These objectives are met. Note that objectives do not need to be met according to a prescribed path or in the same way as originally envisioned or stated. Companies pursue objectives in ways that are best suited to their strategy and operating model.	The company publishes its new diversity policy.
Discontinued	There are various reasons we may halt the pursuit of an objective. It may be the result of new information, a change in the regulatory landscape, a change in direction for the company, a change in NEI's engagement priorities, or other reasons. Objectives may be discontinued by NEI, by the company, or upon mutual agreement.	We decide not to pursue disclosure enhancements following a merger, where the acquiring company's stronger disclosure practices are expected to prevail.

*Illustrative purposes only.

Proxy voting results snapshot

We see corporate governance as a foundational element of strong long-term performance, and as such we believe it is our responsibility to exercise our vote at companies' annual general meetings (AGMs) and special meetings with our priorities in mind. Through proxy voting, shareholders have the ability to influence the makeup of the board, guide corporate strategy, and support general good governance. Issues that may have a sustainability lens include management proposals and shareholder proposals, which appear in the company's management proxy circular and can address issues such as setting appropriate executive compensation levels, improving disclosures or practices, and setting decarbonization strategies, among many other topics.

NEI's in-house proxy voting analysts oversee the voting process. Voting is guided by our Proxy Voting Guidelines and aligned with our engagement priorities. We will research and discuss voting decisions that are more nuanced, such as decisions regarding complex or contentious shareholder proposals, as well as the potential for novel proposals.

Proxy voting data in this report is from July 1, 2024, to June 30, 2025, which is considered a standard proxy voting cycle. All companies named in this report were held by NEI at the time of voting, though holdings may change at any time without notice.

Data was sourced from International Shareholder Services, FactSet, and public company disclosures. The proxy voting information in 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. To understand how and why we vote the way we do, our Proxy Voting Guidelines offer an in-depth explanation. They can be found here: <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-proxy-guidelines-en.pdf>

For our complete voting history, explore our Proxy Voting Dashboard here: <https://vds.issgovernance.com/vds/#/ODI3Mg==/>

Figure 11: 1,005 meetings voted

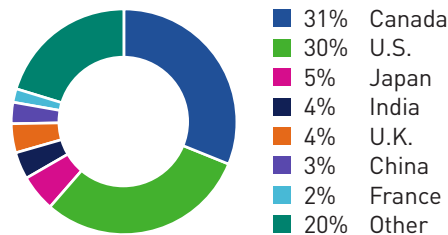


Figure 12: 11,884 management proposals voted

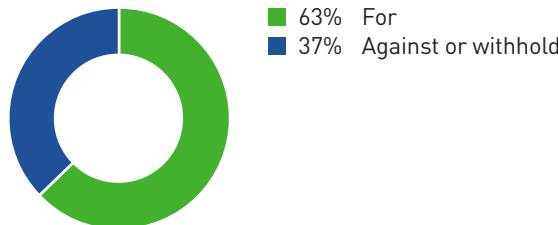


Figure 13: 450 shareholder proposals voted

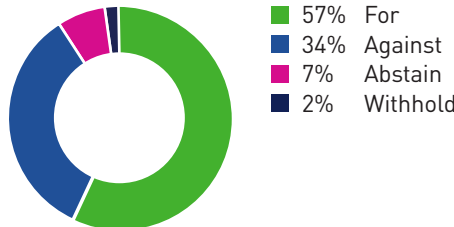
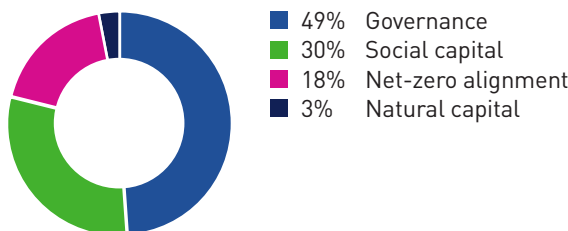


Figure 14: Shareholder proposal breakdown by focus theme



Feedback-on-proxy campaign

Every year we run what we call a “feedback-on-proxy” campaign, where we write to companies to explain why we voted the way we did at their annual general meeting. If we own more than 1% of a company’s shares at the time of voting, we may reach out to them before the meeting to discuss governance concerns and to help inform our voting decisions. As part of this campaign for the latest proxy season, we engaged 19 companies in total, the majority on the topic of equitable compensation, but also on board diversity and the governance of human rights.

Governance

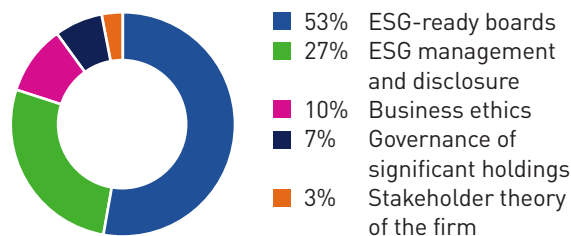
Good governance practices are fundamental for boards of directors to fulfill the role of overseeing management and balancing the interests of stakeholders. Factors that contribute to good governance include independent leadership, balanced composition, structure, and the perspective, skill, and decision-making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

We also expect board members to have oversight of how the company addresses the material risks it is exposed to. For example, if a company is operating in a high-impact industry with a large direct or indirect greenhouse gas emissions footprint, and we believe the company does not have a robust climate strategy in place with reasonably ambitious emissions reduction targets, we may vote against the incumbent chair of the audit committee as well as the chair of the board. Similarly, we may vote against the incumbent chair of the sustainability committee (or the chair of the audit committee if there is no sustainability chair identified) at a company with high impacts or dependencies on nature, if it lacks adequate disclosure on how it mitigates and responds to nature-related risks and opportunities. The same can be said for a company that lacks adequate disclosure on its approach to identifying, responding to, and mitigating human rights risks in its operations.

It is not surprising to see independence and diversity concerns top our list of reasons to vote against directors (Figure 16), and these two issues can often be opposite sides of the same coin. Independence is a core expectation because we believe shareholders are best served by directors that are most able to provide objective oversight, and that often means challenging management’s actions and strategies. Directors that are not tied to the company through past or current employment, or who have not served for an excessively long tenure, are more likely to feel free to exert independent thought.

We have similar reasons for why we value diversity in directors, as directors with diverse viewpoints and experience are more likely to bring perspectives to bear that are not a rubber stamp of management’s ideas. The two issues are often linked in a more direct way. Non-independent directors, whose lack of independence stems from their past employment or an excessive tenure, often lack diversity, and the nature of their ongoing tenure means they may be standing in the way of bringing in new, more diverse voices.

Figure 15: Governance topics

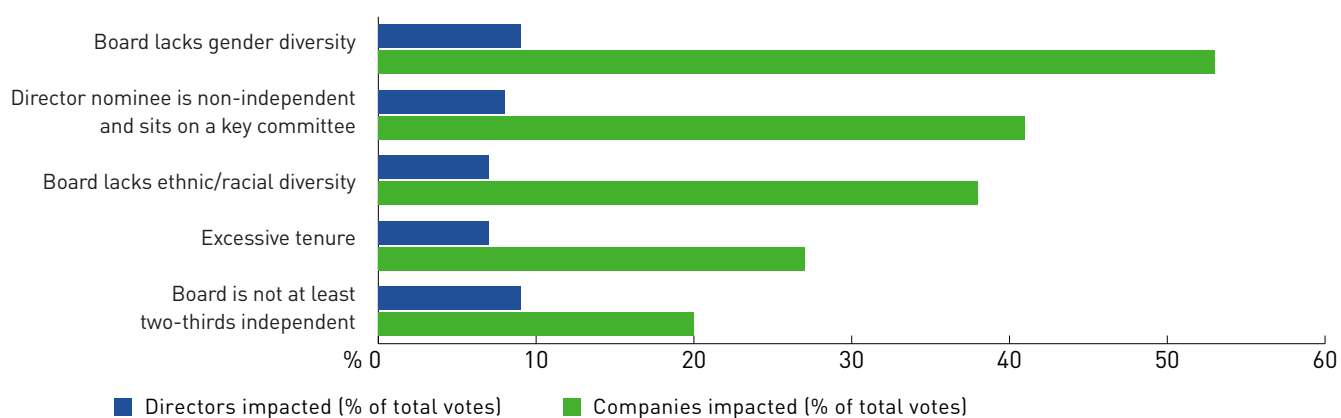


The topics which roll up into themes are counted once for a given company. For example, if we meet with one company three times over the course of the year on the topic of net-zero alignment, it will count as one topic. Source: NEI engagement records.

Table 5: Governance proxy voting data summary, shareholder resolutions

Sub-theme/topic	Abstain	Against	For	Withhold
Auditor related (1 resolution)	0%	0%	100%	0%
Director election (45)	0%	29%	56%	16%
Director related (42)	2%	48%	50%	0%
E&S board oversight (6)	17%	33%	50%	0%
Lobbying, donations and political spending (9)	0%	0%	100%	0%
Other compensation issues (15)	0%	27%	73%	0%
Other governance issues (41)	0%	66%	34%	0%
Shareholder rights (59)	2%	27%	71%	0%
Sustainability reporting (2)	0%	0%	50%	50%
Total (of 220 resolutions)	1%	37%	58%	4%

Figure 16: Top 5 reasons for voting against directors (% of companies impacted)*



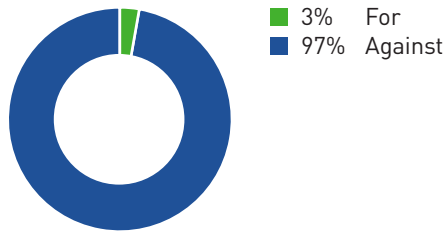
*Canada and U.S. only

Advisory votes on executive compensation

We continued to vote against the vast majority of executive compensation packages in the latest proxy season, where we voted against 97% of the 484 advisory votes that we faced (Figure 17). This number closely mirrors our voting record from last year, indicating a continued lack of progress when it comes to improving pay practices at public companies. Reasons for voting against pay packages ranged from lack of transparency to concerns about performance, but a predominant theme was concern over pay equity (Table 6). We flagged compensation packages that we deemed excessive relative to fellow named executive officers, employees, peer companies, and/or median household income. In cases of extreme inequity we also voted against committee members.

We believe that excessive compensation and pay inequity can undermine company performance, while at a systemic level, it increases income inequality which itself has negative consequences for the broader economy. We voted against 39% of compensation plans for lack of ESG performance metrics, meaning compensation was not tied to the achievement of key, material ESG factors, which is contrary to our expectations. Lack of disclosure on the compensation framework, another common reason we voted against pay packages, prevents us from adequately assessing the rigour of a company’s overall compensation framework.

Figure 17: 484 advisory votes on executive compensation*



*Canada and U.S. only

Table 6: Rationale for votes against compensation plans

Factors guiding vote decisions	No. of Canadian companies impacted	No. of U.S. companies impacted	% of companies impacted (Canada + U.S.)
CEO pay >3x avg named executive officers	71	141	44%
CEO pay >5x avg named executive officers	9	5	3%
Excessive CEO or executive pay relative to median household income	18	50	14%
Extremely excessive CEO or executive pay relative to median household income	8	34	9%
Excessive relative to peer companies	32	20	11%
Notably excessive relative to peer companies	20	10	6%
CEO pay is excessive relative to the broader employee population*	2	40	9%
CEO pay is extremely excessive relative to the broader employee population*	2	28	6%
Lack of disclosure	80	175	53%
Performance-based concerns	134	203	70%
Lack of ESG performance metrics	39	150	39%
Other compensation issues (stock ownership, double trigger, clawback)	52	141	68%

* This guideline is applied only in the U.S. due to lack of data in other markets. The reason two Canadian companies are impacted is because they disclosed their CEO pay ratio as required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K.

Table 7: Thresholds for determining excessive CEO pay

Country	Median household income	Excessive pay			Extremely excessive pay		
		Multiplier	Threshold	No. companies	Multiplier	Threshold	No. companies
U.S.	\$80,610	280x median	\$22.6M	50	375x median	\$30.2M	34
Canada	\$101,840	120x median	\$12.2M	18	190x median	\$19.3M	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 2025 Proxy Voting Guidelines, which are updated annually.

Corporate dialogues

Gildan Activewear

This engagement story was originally published in Q2 2024. No edits have been made to it since that date.

Sector

Consumer discretionary

Focus theme; sub-theme(s)

Governance

Related UN Sustainable Development Goal(s)



Engagement activity

Proxy voting result at annual general meeting

It has been a tumultuous period in the history of Gildan Activewear. The question of who would lead the company was decided on May 24, just a few days before the scheduled annual general meeting and after months of wrangling. Gildan announced that the company's co-founder and former CEO Glenn Chamandy was re-instated as president and CEO, ousting Vincent Tyra. Tyra had served as president and CEO briefly, after the board first ousted Chamandy in December 2023. Activist investor Browning West and others had spoken out strongly against the board's decision to replace Chamandy and was instrumental in having him re-instated, along with our sub-advisor Jarislowsky Fraser.¹⁶

In our view, the return of Chamandy and a fresh board is good for Gildan, and for investors. We had not identified concerns with Chamandy prior to the dust-up, but we *were* worried about conflicts between him and the old board. Further, we were seeking some amount of continuity and maintenance of institutional knowledge.

Our vote was largely (but not entirely) in line with Browning West and Jarislowsky Fraser for a slate of new board members proposed by Browning West. Jarislowsky Fraser was the largest shareholder in

Gildan as of April 23 with an ownership stake of 6.7%, according to data from FactSet. We had a call with them in February, where they confirmed with our investment team that they strongly opposed the board's decision to remove Chamandy and were committed to seeing him back at the helm. Before going public with their views, Jarislowsky Fraser had over a dozen calls with the board and management, demonstrating their active engagement with the situation.

Our main topic of engagement with Gildan is human rights in the supply chain, with a focus on worker's rights. We believe the company is making good progress in this difficult area and is taking accountability for oversight of their suppliers. In an engagement update from Q2 2023, we noted that "Gildan says 90% of their supply chain is vertically integrated, meaning they have direct control and oversight—and that's a good thing for understanding their supply chain. This is atypical of apparel manufacturers, which tend to use more third-party suppliers. We explained that we would like to see the company improve disclosure and transparency around the remaining 10% of suppliers."

Gildan's labour costs are relevant here. Excluding supply chain, the company's direct salaries amount to 30% of the cost of goods sold, based on information in the company's 2023 annual report. That means worker's rights are closely tied to a key operational cost.

Also at this year's AGM, we supported a shareholder resolution filed by the BC General Employees Union that asked Gildan to assess the effectiveness of their human rights risk infrastructure in light of a factory closure in Honduras.¹⁷ The proposal received 13.5% shareholder support. We intend to continue engaging Gildan on the topic of human rights risks in the supply chain, and in particular, we would like to hear more about the company's plans for the workers of the closed facility and how they continue to engage with the relevant union.

¹⁶ Jarislowsky Fraser is sub-advisor to NEI Canadian Equity Pool, held within NEI Private Portfolios.

¹⁷ https://investments.bcgeu.ca/bcgeu_releases_investor_brief_for_gildan_activewear_inc_tsx_gil.

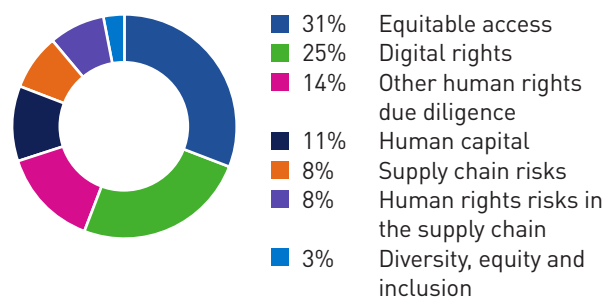
Social capital

The past year was a tumultuous one for the topic of social capital, particularly the issue of diversity, equity and inclusion (DEI). Even before the new U.S. administration had taken office, the term DEI had become a lightning rod for criticism (fairly or unfairly) and companies were under pressure to walk back their DEI commitments. The new administration's aggressive stance against DEI amplified this development, bringing heightened risks for companies who had previously espoused a commitment to building diverse, equitable and inclusive workplaces. As a result, we saw several high-profile companies seemingly abandon their DEI pledges.

However, there is reason to believe that all is not what it seems. From our perspective, none of the business drivers for DEI have changed. Our push for diverse management teams and corporate boards has always been synonymous with our expectation that companies hire the best. A company with poor diversity, whether at the board, management, or staff level, is almost certainly not accessing the best talent, and some research points to material outperformance for companies with diverse leadership teams.¹⁸ So from our perspective, not much has changed.

Our engagements on this topic indicate that even some companies that have walked back their public statements on DEI do agree with us. While there are certainly some that have made problematic changes to their diversity efforts, the ones we are speaking with are still very clear about the benefits to their operations of diverse and inclusive workplaces. The anemic results for shareholder resolutions that demanded companies abandon all diversity initiatives show that most investors would also agree. Analysis of our proxy voting records show that these types of proposals received average shareholder support of approximately 1%.

Figure 18: Social capital topics



The topics which roll up into themes are counted once for a given company. For example, if we meet with one company three times over the course of the year on the topic of net-zero alignment, it will count as one theme. Source: NEI engagement records.

Proxy voting results

Table 8: Social capital proxy voting data summary, shareholder resolutions

Sub-theme/topic	Abstain	Against	For	Withhold
Digital rights (25)	8%	8%	84%	0%
Diversity, equity and inclusion (36)	0%	75%*	25%	0%
Equitable compensation (8)	0%	13%	88%	0%
Human rights impact assessment (28)	11%	32%	57%	0%
Indigenous rights (3)	0%	0%	100%	0%
Labor practices (18)	22%	17%	56%	6%
Other human rights due diligence (12)	0%	75%	25%	0%
Responsible tax (7)	71%	0%	14%	14%
Total (of 137 resolutions)	10%	37%	51%	1%

*Includes proposals that would be characterized as "anti-DEI."

¹⁸ A 2022 study by As You Sow and Whistle Stop Capital analysed 277 publicly traded companies that have their EEO-1 reports (ethnicity data) and found that "higher representation of Black, Indigenous, and people of color (BIPOC) employees in management has a positive relationship to higher cash flow, net profit, three- and five-year revenue, and five-year return on equity (ROE), and stock performance. It is also associated with lower volatility." <https://www.asyousow.org/report-page/workplace-diversity-and-financial-performance>.

Table 9: Select proxy voting results for social capital

	Resolution summary	NEI vote	Vote result	Context
Microsoft	Company asked to report on its use of data sources for the training of AI models.	For	34.7% support	Microsoft is facing increased risks related to copyright infringement and AI data sourcing. Although it discloses information about its assessment of AI risks generally, we feel shareholders would benefit from greater attention to risks related to the use of third-party information to train its large language models. Similar proposals were filed at Meta and Alphabet.
Alphabet	Company asked to report on its process for assessing human rights risks in high-risk countries.	For	4.5% support	Enhanced disclosure regarding Alphabet's approach and criteria for responding to significant human rights violations in a region would provide shareholders with valuable insight into the company's management of associated business risks. (Acknowledging the Anti-Defamation League exempt solicitation, our interpretation of the proposal did not include any explicit requests for changes to the company's operations in Israel and our support of the proposal should not be construed as support for a boycott or divestment from Israel.) Similar proposals were filed at Microsoft and Intel.
RBC, TD, BMO, Scotiabank, National Bank	Banks were asked to adopt the federal government's <i>Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems</i> .	For	8.4% (BMO) to 17.3% (TD) support	We acknowledge the efforts banks are making to mitigate the risks associated with the use of data and AI. Nevertheless, we see value in banks adhering to the voluntary code of conduct. We feel it would help strengthen the risk mitigation measures that are already in place.
Citigroup	Company asked to report on respecting Indigenous Peoples' rights.	For	13.4% support	While the company has released a report titled <i>Respecting the Rights of Indigenous Peoples</i> , we see value in the proposal given existing information gaps, including whether risks flagged on Indigenous communities were resolved, reduced or unaddressed and whether the bank's due diligence effectively mitigated potential harms.

Policy activity

- Signed an investor statement in support of robust mandatory human rights and environmental due diligence in the U.K.
- Invited by the Access to Medicine Foundation to participate in an interview conducted by an independent consulting firm as part of an external evaluation of the foundation.

Corporate dialogues

Air Liquide

This engagement story was originally published in Q1 2024. No edits have been made to it since that date.

Sector

Materials

Focus theme; sub-theme(s)

Social capital: Equitable access

Related UN Sustainable Development Goal(s)



Engagement activity

Collaborative (with Impax Asset Management)

Responsiveness

Highly responsive

Meeting objective: Seek and share information about Air Liquide's medical oxygen business in the context of equitable access and health emergency readiness.

In collaboration with Impax Asset Management, sub-advisor to NEI Environmental Leaders Fund and NEI Global Sustainable Balanced Fund, we met with France-based Air Liquide on the topic of access to medical oxygen. Air Liquide is the world's second-largest supplier of industrial gases by market share (after Linde, headquartered in the U.K.¹⁹), with operations in more than 70 countries.²⁰ The meeting was a follow-up to a letter we sent the company in December 2023.

We reached out to the company after reviewing a report by the Access to Medicine Foundation from April 2023 titled, *What are gas companies doing to scale up access to liquid medical oxygen?*²¹ We noted

this issue rising to prominence during the COVID-19 pandemic, and we also note that medical oxygen has been identified as an "essential medicine" since 1979 by the World Health Organization (WHO). In May 2023 the WHO asked governments to adopt recommendations that prioritize access to medical oxygen to strengthen global health organizations and build a more resilient system for access.²² To accomplish this, the WHO recommends countries partner with private companies and non-governmental organizations. Air Liquide is in a strong position to help governments meet these challenges all over the world, but particularly in low- and middle-income countries with hard-to-reach rural populations.

Air Liquide established an access program in 2017 under its Air Liquide Foundation and now supplies medical oxygen to Senegal, South Africa, and Kenya. Kenya is of particular interest, as the model there is for Air Liquide to partner with local health organizations to deliver supplies and services using a network of trained citizens, in contrast to Senegal and South Africa, where the company has a more formal corporate presence. One of the objectives of the program is to share with higher-level health authorities in the country the findings that better access to medical oxygen is of benefit to citizens and the economy, thereby encouraging them to scale up access in healthcare facilities, with potential ongoing support from Air Liquide. Though Air Liquide does not operate this program as a significant revenue driver, they do include access to medical oxygen in their strategic plan and track its performance as an "extra-financial" contributor.²³ This is, to our knowledge, a differentiator versus other medical gas companies.

According to Air Liquide's 2023 Universal Registration Document,²⁴ which includes the annual financial report, healthcare is the company's fastest growing business segment, accounting for 15% of all gas and services revenue in 2023. (Gas and services revenue made up 95% of total revenue in 2023, totaling 27.6 billion euros.) Medical gases contributed 35% of all healthcare revenue, totaling

¹⁹ NEI spoke with Linde in the quarter on the same topic.

²⁰ <https://www.airliquide.com/group/worldwide-presence>.

²¹ https://accessmedicinefoundation.org/medialibrary/access-to-medical-oxygen-report_atmf_2023.pdf.

²² https://apps.who.int/gb/ebwha/pdf_files/WHA76/A76_R3-en.pdf.

²³ In 2023: "Over 2 million people have been facilitated with access to medical oxygen in low and middle income countries, a +16% increase compared to 2022," Press Release and Activity Report, February 20, 2024, pg 5.

²⁴ www.airliquide.com/sites/airliquide.com/files/2024-02/air-liquide-2023-annual-results-building-on-a-solid-performance-and-a-record-investment-dynamic-in-2023-air-liquide-accelerates-and-doubles-the-margin-ambition-of-its-advance-strategic-plan.pdf.

approximately 1.43 billion euros. Within that category, medical oxygen contributes significantly to total medical gas sales.

Company representatives were eager to hear our rationale for reaching out to talk about this topic; they said we were the first investor to ask about it. We explained that we are at the early stages of analyzing this part of their business as we seek to incorporate it into our evaluation framework and into our broader thinking on the topic of equitable access and health emergency readiness. Historically for NEI, companies we speak with on the topic of equitable access have been in the healthcare sector, whereas Air Liquide is in the materials sector.

Next steps: We will look at the extent to which we feel Air Liquide's Access Oxygen program ought to play a role in our evaluation of the company, which will include reviewing sustainability disclosures to see how they are tracking performance. We are prepared to follow up with continued engagement as the company's sustainability and investor relations representatives were very open to speaking with us in the future.

Agnico Eagle and Newmont

This engagement story was originally published in Q3 2024. No edits have been made to it since that date.

Sector

Materials

Focus theme; sub-theme(s)

Social capital; Human capital

Net-zero alignment; Responsible mining

Related UN Sustainable Development Goal(s)



Engagement activity

Solo meeting

Responsiveness

Responsive

Meeting objective: To discuss responsible mining and human capital challenges and share expectations for a forthcoming industry-led mining standard.

Two well-known gold miners are supporting the creation of a new voluntary, industry-led standard that consolidates four existing standards.²⁵ We met with Colorado-based Newmont, the world's largest gold miner, and Ontario-based Agnico Eagle, about the forthcoming standard being developed by the Consolidated Mining Standard Initiative (CMSI).

On the CMSI website, it states the intention is for the standard "to be adopted by a wide range of mining companies – large and small, across all commodities and locations – to drive performance improvement at scale. It will be applicable to any facility, anywhere in the world that is committed to responsible practices."²⁶ The draft standard is open for consultation as of this writing, with the window closing on December 16, 2024, and a shorter consultation period planned for 2025.

²⁵ Copper Mark, the International Council on Mining and Metals, Mining Association of Canada's Towards Sustainable Mining, and the World Gold Council.

²⁶ <https://miningstandardinitiative.org/>.

Other groups have already made it clear the draft CMSI standard does not meet their expectations. A group of global advocacy partners called Lead the Charge, focused on the automotive supply chain, has sent a letter to CMSI, arguing that “the mining industry designing the system, standard and accountability mechanisms to evaluate its own social and environmental performance undermines the credibility”²⁷ of the proposed standard.

This new standard would ostensibly compete with the Initiative for Responsible Mining Assurance (IRMA), which describes itself as “the only independent, third-party assessment of industrial-scale mine sites for all mined materials that is governed equally by the private sector, local communities, civil society, and workers.”²⁸ We were clear in both meetings that if we do not feel the CMSI standard is as rigorous as it should be, we will continue to press for the adoption of the IRMA standard. (Lead the Charge also supports IRMA.)

On a separate but related topic, we also discussed human capital challenges in the wake of a damaging landmark report published by Rio Tinto in early 2022. The report was based on an external review of the mining giant’s workplace culture, with the CEO calling the results “extremely disturbing.”²⁹ The report is considered a highwater mark in terms of transparency, but what has been done in the time since it was published?

Newmont and Agnico Eagle told us they have spoken with Rio Tinto about the report, and both miners acknowledged the materiality of the problem, which is somewhat endemic to the mining industry. They acknowledged they have trouble attracting talent and building a strong talent pipeline because of cultural issues, and they said the male-dominated environment makes diversity a challenge. Our meeting with Newmont included three company representatives from their side, all women. While this was encouraging at the management level, it is not representative of field workers in the industry.

Both companies are taking steps to address the problems and are revisiting corporate culture from the top. Newmont employs a Head of Respect at

Work, reporting to the Chief Sustainability and Safety Officer, who “leads a multi-year program to address sexual harassment, racism, bullying and discrimination, including discrimination on the basis of sexual orientation and gender identity.”³⁰

In our opinion, the steps being taken are not enough. We made it clear to both companies that our preference is for them to conduct a third-party audit, similar to how Rio Tinto tackled the problem. Only in this way will they get the unvarnished views from their workers and hear the recommendations of outside professionals, so they can make the meaningful change required.

Next steps: We look forward to thoroughly reviewing the forthcoming industry-led mining standard that both Newmont and Agnico Eagle support as an alternative to IRMA.

²⁷ <https://leadthecharge.org/icmmletter-2/>.

²⁸ <https://responsiblemining.net/>; NEI Head of Stewardship Jamie Bonham sits on the board of IRMA.

²⁹ <https://www.reuters.com/business/rio-tinto-report-finds-disturbing-culture-sexual-harassment-racism-bullying-2022-02-01/>.

³⁰ https://s24.q4cdn.com/382246808/files/doc_downloads/priority-topics/newmont-approach-to-people-and-culture.pdf.

Natural capital

Natural capital continues to climb the agenda for investors and companies alike, as we gain increasing clarity on the expectations for companies to identify, address, and disclose on their nature-related risks. The number of our engagements on this topic increased in 2024 and we saw a commensurate increase in the sophistication of corporate responses. That said, it still feels like early days when it comes to the topic of natural capital. We continue to develop our own expectations as companies increase the complexity of their approaches.

We chose to largely focus our engagements on the issues of water and commodity-related deforestation, two natural capital issues that are relatively mature and enjoy the benefit of ongoing investor collaborations. Both cases highlight the overlap with climate-related risks that often occurs with natural capital topics. In the case of water, industries heavily reliant on access to water, such as the semiconductor industry or the data centres powering the digital economy, are facing the increasingly material risk of water scarcity exacerbated by the impacts of climate change. Similarly, deforestation is a significant concern for biodiversity and can also undermine the role forests play as a carbon sink. The relatively small number of shareholder proposals reflects the nascent status of this topic, though we did end up supporting 100% of the proposals asking companies to assess their impacts and dependencies on nature.

Engaging on deforestation

Our commitment as part of the Financial Sector Deforestation Alliance (FSDA) is to make our best effort to eliminate commodity-driven deforestation at the companies in our portfolio, primarily through the tool of corporate engagement. Based on an initial assessment of our exposure to the risks of commodity-driven deforestation, and through our work with the FSDA initiative to identify key engagement targets, we have focused primarily on the consumer staples and consumer discretionary sectors, with a secondary focus on financials for potential financing of high-risk activities.

Table 10: Corporate engagement on commodity-driven deforestation

Sector	No. of companies
Consumer staples	7
Consumer discretionary	5
Financials (banks)	5
Industrials	1
Materials	1

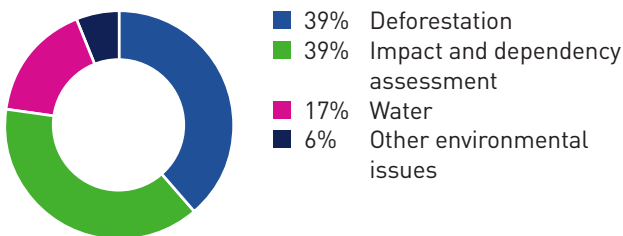
Source: NEI engagement records.

A central request of the companies we have engaged is for them to adopt a no-deforestation commitment to their commodity-sourcing activities and to track progress against that commitment for key commodities such as palm oil, beef, soy, and pulp and paper. Across the 12 companies we have engaged in the consumer sectors, ten had some level of explicit no-deforestation policy in place, while the remaining two had commitments to sustainable certifications but no explicit language around deforestation.

Progress against commitments was relatively strong, with many companies adopting a timeline of between 2025 and 2030 to reach their goals. A common challenge, even among the leaders, was the reliance on third party certification schemes that themselves faced credibility challenges. The ability of companies to independently verify and trace the footprint of their commodities is difficult, but the increasing availability of nature-related data, through the use of satellite imagery, for example, shows potential for increasing visibility into supply chains.

A key challenge for tracking progress against our own FSDA commitments has been access to credible data for our underlying portfolio. As we look for ways to address this barrier, we continue to focus our effort on engaging with key companies in our holdings.

Figure 19: Natural capital topics



The topics which roll up into themes are counted once for a given company. For example, if we meet with one company three times over the course of the year on the topic of net-zero alignment, it will count as one topic. Source: NEI engagement records.

Proxy voting results

Table 11: Natural capital proxy voting data summary, shareholder resolutions

Sub-theme/topic	Abstain	Against	For	Withhold
Advancing animal welfare (3)	67%	0%	33%	0%
Impact and dependency assessment (9)	0%	0%	100%	0%
Total (of 12 resolutions)	17%	0%	83%	0%

Table 12: Select proxy voting results for natural capital

	Resolution summary	NEI vote	Vote result	Context
General Mills	Company asked to disclose regenerative agriculture practices within its supply chain.	For	27.6% support	We feel that more disclosure about the company's reduction of synthetic pesticide use would allow investors to better understand how the company is managing related risks.
Dollarama	Company asked to establish a formal action plan to minimize operations waste.	For	20.1% support	We believe shareholders would benefit from the company establishing a formal action plan on waste reduction, with clear objectives.
Loblaw	Company asked to report on food waste generated and percentage diverted from landfills	For	14.8% support	We feel enhanced disclosure would allow shareholders to assess the effectiveness of the company's food waste programs, as well as provide a better understanding of the company's food waste reduction strategy. We supported similar proposals at Restaurant Brands International and Coca-Cola, both of which received slightly less investor support.
Home Depot	Company asked to disclose a biodiversity impact and dependency assessment	For	16.5% support	While we recognize the company's efforts on biodiversity and forestry, we feel an impact and dependency assessment would help shareholders assess how the company is managing risks and tracking progress associated with biodiversity loss. We supported a similar proposal at PepsiCo that received approximately the same level of support.

Policy activity

- Responded to a survey from the Taskforce on Nature-related Financial Disclosures (TNFD) regarding additional guidance for financial institutions to apply TNFD recommendations. The guidance would apply to banks, insurance companies, asset managers and owners, and development finance institutions.
- In a separate survey from the TNFD, we shared input about ongoing efforts to improve market participants' access to nature-related data, as well as timeliness, quality, and comparability.

Corporate dialogues

Amazon

This engagement story was originally published in Q1 2024. No edits have been made to it since that date.

Sector

Consumer discretionary

Focus theme; sub-theme(s)

Natural capital; water

Related UN Sustainable Development Goal(s)



Engagement activity

Collaborative meeting (as co-lead)

Responsiveness

Responsive

We had our first meeting with Amazon in July as part of the Valuing Water Finance Initiative (VWFI), initiated by Ceres. The VWFI is a “global investor-led effort to engage companies with a large water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.”³¹ We are a co-lead of the Amazon engagement, and the lead of the Sony engagement.³²

The predominant consumer of water within Amazon’s corporate structure is Amazon Web Services (AWS), which is in the business of providing cloud computing platforms for a range of clients including individuals, companies and governments. Financial statements for the 2023 fiscal year show AWS sales topped US\$90 billion, which was about 16% of Amazon’s total revenue and a 13% increase over the year prior. AWS runs massive data centers that require a significant amount of water for cooling—and the business is clearly in high growth mode, especially with the surging demand for AI applications. AWS is

the largest such company, with Microsoft and Google also in the space.

We met with representatives from AWS as well as from the parent company. AWS is further along in its water strategy than Amazon, given the importance of the resource to that particular business. AWS has an ambitious target of being “water positive” by 2030, a goal that was set in 2022. Simply put, that means the business will “return more water to communities and the environment” than it uses in its data centers.³³ The company says that as of 2023, it is 41% of the way to the target.³⁴

Reaching the target requires action in four areas: sustainable water sources, efficiency, water reuse, and replenishment. As of now, AWS is only disclosing an efficiency metric. One of our pieces of feedback was that we would like to see them disclosing metrics around the remaining three pillars of the strategy. And while the ambition is there, as well as the methodology for calculating the water positive percentage,³⁵ there is no concrete road map for how the company expects to reach the destination.

With respect to capital allocation, company representatives acknowledged they have an initial budget for the water positive program, that focuses first on reducing or recycling water, then on replenishing it. There are some cases where replenishment may get higher priority. To provide an idea of scale, Amazon’s latest sustainability report shows the company returned 3.5 billion litres of water to communities from replenishment projects in 2023.³⁶

We are pleased that Amazon conducted a water risk assessment on its global operations last year; however, the company has not disclosed the results. As of now, investors do not have details on which regions, operations, or supply chain areas have been identified as the most vulnerable to water stress or other water-related risks. We expressed in the meeting that this would be valuable information to disclose.

³¹ <https://www.ceres.org/water/valuing-water-finance-initiative>.

³² See our 2024 *Responsible Investment Report* for an engagement update on Sony’s water use.

³³ <https://sustainability.aboutamazon.com/natural-resources/water#Water%20positive%20by%202030>.

³⁴ <https://sustainability.aboutamazon.com/natural-resources/water>.

³⁵ See AWS’s methodology for determining water positivity: <https://sustainability.aboutamazon.com/aws-water-positive-methodology.pdf>.

³⁶ <https://sustainability.aboutamazon.com/2023-sustainability-report.pdf>.

Our suggestions for Amazon over the short-term are for the company to improve disclosures on the company’s operational water risk assessment, as well as mitigation plans and performance metrics. We also suggested they continue to conduct a supply chain water risk assessment and disclose those results and mitigation plans as a medium-term objective.

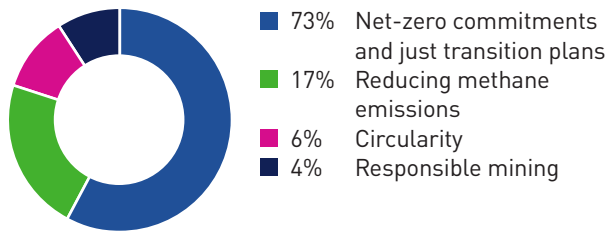
Net-zero alignment

It has been said that the road to net-zero will not be linear, and 2024 was a year that lived up to that claim. A sense of stalled progress began to find its way into some of our dialogues, reflecting a broader pullback (or at least a perception of a pullback) in corporate ambition. This was in part due to the political climate in the U.S. and Canada, but was also a reflection of companies starting to wrestle with the reality of the challenge in front of them. Reduced ambition in many cases was just a case of companies acknowledging that they didn’t have a plan to reach their previously stated goals.

Yet there were positives to take from the year that remain true even in the face of a seemingly even more volatile 2025. For one, in most cases where companies were seen to pull back, their commitment to addressing climate-related risks did not drop to zero. In fact, we believe that the floor for corporate action has risen to such a degree that it is simply not possible for companies to completely abandon climate action. And even in the face of stalled progress for some, other companies continued to set robust science-based targets, emboldened by the continued growth and innovation in low-carbon technologies.

Despite the bumps in the road, the recognition among companies that climate is a key risk for many sectors that will not go away without concerted action has given the energy transition a sense of positive inevitability, even though progress is slow.

Figure 20: Net-zero alignment topics



The topics which roll up into themes are counted once for a given company. For example, if we meet with one company three times over the course of the year on the topic of net-zero alignment, it will count as one topic. Source: NEI engagement records.

Pressure on net-zero initiatives leads to departures and rethinks

Throughout 2024 and into 2025, headlines rolled across our screens as investment managers, asset owners, banks, insurance companies and other players in the financial services industry announced departures from various net-zero initiatives. This was largely due to severe legislative and policy uncertainty introduced by the incoming Trump administration. Departures were largely occurring among U.S.-based firms, but Canadian banks were notable for their group departure from the Net-Zero Banking Alliance in early 2025. The Net Zero Insurance Alliance was disbanded altogether in 2024, though a new group was formed with less stringent requirements around emissions reduction target-setting.

It has been clear from our conversations with companies and other stakeholders connected to these organizations that the legal pressures from federal and state governments in the U.S. were real and intense. We also believe that to a certain extent, the original value of the initiatives has been expended. They have played an extremely important

role in bringing awareness of the effects of climate change to the financial services industry, helping players understand their role in reducing risk both for their own client base as well as the economy at large. The organizing bodies of the initiatives have been instrumental in bringing together a disparate group of global firms for collective action, which is crucial for a problem as large and complex as climate change.

Ultimately, we believe that as long as the financial sector continues to take strong initiative in supporting the energy transition through its various influential levers, we don't necessarily need to see firms participating in formal initiatives that may have run their course.

For an update on NEI's own status in NZAM, see page 51 in the Climate chapter below.

Proxy voting results

Table 13: Net-zero alignment proxy voting data summary, shareholder resolutions

Sub-theme/topic	Abstain	Against	For	Withhold
Advisory vote on environmental policy (12)	50%	42%	0%	8%
Circularity (12)	17%	17%	67%	0%
Clean energy supply financing ratio (7)	0%	0%	100%	0%
Climate lobbying (4)	0%	0%	100%	0%
Net-zero commitments and just transition plans (46)	9%	30%	61%	0%
Total (of 81 resolutions)	15%	26%	58%	1%

Table 14: Select proxy voting results for net-zero alignment

	Resolution summary	NEI vote	Vote result	Context
Amazon	Company asked to report on efforts to reduce plastic packaging	For	13.5% support	We feel a further assessment of the company's efforts to reduce plastic packaging would provide valuable insights for shareholders and help the company mitigate associated risks. Variations on plastic packaging proposals were filed at numerous companies, including General Mills, PepsiCo, Kraft Heinz, Mondelez, Home Depot, and Walmart. Most proposals received support in the low double-digits, but the General Mills proposal received almost 40%.
CIBC, TD, BMO	Companies asked to disclose clean energy supply financing ratio	For	32.3% (BMO) to 38.3% (TD)	Banks are making progress on their climate targets, but we believe shareholders will derive added value from disclosure of their energy supply financing ratio, despite the challenges around lack of a standardized methodology. Some U.S. banks faced similar proposals, but with investor support of roughly half these numbers.
McDonald's	Company asked to disclose an assessment of its climate transition plans	Against	10.4% support	While we agree with the proponent that elements of the company's transition plan could be better explained, we also recognize that McDonald's has already provided a relatively detailed discussion of its plan. Further, the company's recent revalidation of its Science Based Targets initiative target, and the obligations to report against those targets, is a significant commitment that does provide some assurance they are handling the issue adequately.
Chubb	Company asked to report on GHG emissions associated with underwriting, insuring, and investment activities	For	13.8% support	We believe such a report would complement existing disclosures in line with peers and would provide shareholders with further insights into the company's climate-related risks from its underwriting, investment, and insurance activities.
Amazon	Company asked to report on the impact of data centers on its climate commitments	For	20.0% support	A further assessment of the impact of data centers on Amazon's climate commitments would enable shareholders to thoroughly review and evaluate the credibility and achievability of the company's net-zero strategy.

Policy activity

- Submitted comments to the federal government about the proposed framework for an emissions cap on the oil and gas industry, stressing the importance of providing certainty and incentivizing companies to commit capital toward emissions reduction.
- Submitted comments to the federal government about proposed rules for addressing methane emissions in the oil and gas industry, highlighting our support for ambitious goals and the need to improve measurement and reporting.
- Signed on to an investor statement expressing support for a legally binding international instrument that would address the problem of plastic pollution.
- Signed on to a letter organized by Clean50, urging the federal government to speed implementation of the recommendations of the Sustainable Finance Action Council's proposed framework for a transition taxonomy.
- Responded to a survey from the Responsible Investment Association on our experience and progress fulfilling our commitments under the Canadian Investor Statement on Climate Change.
- Provided comments to the UN Secretary-General's Panel on Critical Energy Transition Minerals, highlighting the importance of transparency, best practices, third-party auditing and respect for Indigenous rights, among other key principles.
- Signed a letter urging U.S. states to quickly develop plans for implementing the Environmental Protection Agency's new methane reduction standards for the oil and gas industry.
- Met with Member of Parliament Ryan Turnbull to discuss the Initiative for Responsible Mining Assurance in the context of the Canadian mining industry.
- Along with more than 525 other investors managing close to US\$30 trillion assets, we signed the 2024 Global Investor Statement to Governments on the Climate Crisis, calling for policy implementation at all levels of government.

Corporate dialogues

Loblaw

This engagement story was originally published in Q1 2024. No edits have been made to it since that date.

Sector

Consumer staples

Focus theme; sub-theme(s)

Net-zero alignment: Net-zero commitments and just transition plans

Related UN Sustainable Development Goal(s)



Engagement activity

Climate Engagement Canada (collaborative co-lead)

Responsiveness

Responsive

Meeting objective: Discuss the Climate Engagement Canada benchmark results released in December 2023 and hear what steps Loblaw is taking on climate strategy improvements.

NEI met with Loblaw Companies twice in the quarter, once as co-lead on a collaborative engagement through Climate Engagement Canada (CEC), and a second time as co-lead to discuss human rights risks in their supply chain—both conversations are part of established and ongoing engagements we have with the company. In this update, we focus on the CEC meeting.

Loblaw is one of 41 companies benchmarked as part of the CEC initiative, with results available on the CEC website.³⁷ We discussed the benchmark outcome with them, stressing that we understand that companies should not be expected to receive the highest score on the initial assessment. The benchmark is just a tool we use to guide engagement on material topics as part of a longer journey, where the overall goal is

progress. What's more, like most benchmarks and rankings, the methodology prioritizes a consistent approach to scoring with less focus on company-specific context, and we take that into consideration as we interpret the results. Very few companies achieved high scores, which is, frankly, to the point, given the early stages of the energy transition. There is much work to do across all industries.

The top areas we identified for the meeting agenda were:

- Climate governance
- Scope 3 emissions disclosure
- The circular economy
- Reporting against the Task Force on Climate-related Financial Disclosures

We also raised the topic of a just transition,³⁸ as we understand this to be an area many companies should consider for improvement.

We were pleased to see that representatives came to the meeting prepared with evidence of further progress. They told us that they continue to evaluate the prospect of integrating climate goals into their long-term executive compensation plans; ESG factors are already integrated into short-term plans. They also pointed out that all full-time employees have sustainability topics within their individual objectives that factor into their compensation. Overall, we do feel that Loblaw is committed to pursuing improvements to its climate strategy.

Next steps: We will review the company's sustainability report, expected in Q2, with an eye toward disclosure.

³⁷ <https://climateengagement.ca/cec-net-zero-benchmark>.

³⁸ For a definition of "just transition" we look to Climate Engagement Canada: "The 'just transition' is a principle asserting that the impacts on workers, communities and countries should be considered in the transition to a net-zero emissions economy. In Canada, just transition issues also aim to ensure that the low-carbon transition is done in ways that enable equity-deserving groups – such as women, Indigenous Peoples, racialized individuals, people with disabilities and youth – to benefit from a net-zero carbon economy." <https://climateengagement.ca/faq/>.

Royal Bank of Canada

This engagement story was originally published in Q1 2024. No edits have been made to it since that date.

Sector

Financial services

Focus theme; sub-theme(s)

Net-zero alignment: Net-zero commitments and just transition plans

Related UN Sustainable Development Goal(s)



Engagement activity

Solo meeting

Responsiveness

Highly responsive

Meeting objective: Gain insight into RBC's recently published Client Engagement Approach on Climate and discuss the bank's plan for implementing the approach.

Royal Bank of Canada has taken an important step toward the goal of reducing carbon emissions in its financing portfolio. We met with representatives to discuss RBC's new client engagement framework,³⁹ published in November 2023. We also wanted to check in on efforts to reduce commodity-driven deforestation.

In a recent engagement report about the material risk to banks posed by climate change, we said this: "While they have relatively low operational carbon footprints, banks have significant financed emissions, i.e., the greenhouse gas emissions they finance through their lending and financing activities. Through this exposure, it is essential that banks integrate climate risks and opportunities in their business strategy. Otherwise, they might be exposed not only to major reputational risks but also to market and credit risks, which would ultimately impact their financial performance."⁴⁰

One of the critical steps required to reduce exposure to risk is to first understand the current state. We have been engaging with many banks for over a year on the specific question of how they will assess their client's energy transition plans, and how they will monitor progress in order to reduce portfolio emissions. By formalizing and disclosing its client engagement approach, RBC has set an example for the rest of the banking industry in Canada. We consider this to be a significant milestone in our engagement progress.

At this point, RBC's client engagement approach treats only companies in the oil and gas and power generation industries, which the bank considers to be the most important in terms of aiding the energy transition. In the bank's words, the approach "includes a transition readiness framework – a tool to assess energy sector client transition plans – coupled with support for clients on their transition journeys. RBC [Capital Markets'] objective is to help clients accelerate their transition plans and progress their standing within the transition readiness framework. RBC [Capital Markets] is committed to disclosing portfolio-level progress and will make tough business decisions – including being prepared to step away if a client, after repeated engagement, does not demonstrate sufficient planning for the energy transition."⁴¹

We learned how RBC's new client engagement approach enables them to develop a robust dataset to spot opportunities for further conversations with clients, and for improvement. We also appreciate how the transition readiness framework provides their clients with more specificity and clarity around what RBC is looking for and what the bank expects from a climate perspective. RBC pointed out that even though the framework has been embedded into the client acquisition process, falling short in the assessment does not necessarily mean a potential client would be rejected. Climate assessment is, after all, only one component of a larger package. One area the bank is still developing, for example, is how they will incorporate transition readiness results into consideration of credit risk, noting that the current risk considerations are mainly focused on legal and reputational risks.

³⁹ <https://www.rbc.com/community-social-impact/assets-custom/pdf/rbc-client-engagement-approach-en.pdf>.

⁴⁰ <https://www.neiinvestments.com/insights/progress-report-US-Banks.html>.

⁴¹ <https://www.rbc.com/community-social-impact/assets-custom/pdf/rbc-client-engagement-approach-en.pdf>, pg 4.

On the topic of deforestation RBC had less to share regarding risk exposure, as they are at an early stage in this initiative. Though nature-related risks are covered by their environmental and social risk policy, and they do have long-standing restriction policies around lending in certain sensitive sectors, the bank recognizes the need to enhance its processes and do a full review of where nature-related risks show up in their portfolios. One step they are taking is to review the recommendations of the Taskforce on Nature-related Financial Disclosures for insight and applicability.

Next steps: NEI will conduct a more thorough review of RBC's client engagement approach in the energy sector and seek to offer focused feedback if appropriate.

Collaborating to reduce methane emissions

This article was originally published on February 18, 2025. No edits have been made to it since that date.

Curbing methane emissions ranks as one of the most effective actions that can be taken to speed the transition to a low-carbon economy. About a year ago, we wrote the following:

Methane is a potent greenhouse gas that has up to 80 times the impact of CO₂ when it comes to warming the atmosphere, and the oil and gas sector is one of North America's biggest sources of methane emissions. However, reducing methane emissions is also one of the most cost-effective reduction activities for the industry—so much so that certain abatement strategies can essentially be revenue positive. Methane is a key component of natural gas, so every molecule of methane kept from the atmosphere has an inherent financial value that can be realized.⁴²

So, what is NEI doing to help reduce methane emissions? Our primary effort to date has been to encourage the oil and gas companies we invest in to join the Oil & Gas Methane Partnership (OGMP) 2.0. OGMP 2.0 is a not-for-profit initiative run by the United Nations Environment Programme. In the words of the UN, OGMP 2.0 is "the only comprehensive, measurement-based international reporting framework for the sector."⁴³ According to the program website, over 140 companies with operations in more than 70 countries have joined – but only one from Canada. We are strong proponents of OGMP 2.0 because it provides a full-scope reporting framework, and there is a deep commitment to accuracy and transparency. It also serves as a network of sharing best practices, including techniques and technologies.

In November 2024 we co-hosted with OGMP 2.0 an in-depth, in-person roundtable in Calgary with a handful of Canadian energy companies and investors. The physical space was provided by BMO Global Asset Management. A United Nations' representative for OGMP 2.0 flew in from Switzerland, and another joined virtually. The objective was to foster collaboration and discussion, so that companies would feel more

⁴² <https://www.neiinvestments.com/insights/ambitious-methane-proposals-poised-to-have-an-impact.html>.

⁴³ <https://ogmpartnership.com/>.

comfortable joining up to OGMP 2.0. Representatives from the initiative were there to answer questions and dispel myths, and to open the door to ongoing conversations.

Much of what was discussed was not news to the companies in attendance. The industry is aware there is significant concern over under-reported methane emissions, and that this has negative implications for real-world emissions levels. From an investment perspective, investors want to be confident that the financed emissions they are reporting for regulatory and client purposes are as reliable as possible. Having said that, company representatives acknowledged that it was beneficial to them to hear these perspectives from a collective voice in one room. They also appreciated the access to OGMP 2.0 representatives, and at least one company that we know of followed up later to keep the conversation going.

It was somewhat disheartening to hear from participants that new greenwashing rules put in place by the Competition Bureau in mid 2024 were reducing the willingness to speak freely. A couple of companies

declined our invitation to participate, citing the new rules. Added to that is the constantly moving target of federal and provincial energy policies, which are likely to experience even more upheaval in 2025 with a federal election.

One concrete next step that came out of the session was for OGMP 2.0 to put together a follow-up response to questions that came up in the room; we sent that to attendees in mid December. We are also looking into whether OGMP 2.0 can facilitate mentorship-style conversations between existing signatories and those still in consideration mode.

Apart from that event, NEI has been actively engaging with portfolio companies on methane emissions and OGMP 2.0 for some time. In 2023 we sent letters to many of our portfolio companies in the oil and gas sector asking them to consider joining the initiative, and we regularly encourage companies to join when we meet with them for one-on-one engagements. Methane reduction was one of our focus themes in 2024, and we expect that to continue into 2025 and beyond.



Policy activity

As if it were even possible, the policy environment became decidedly more complicated in 2024.

What was already proving to be a challenging year in which populist movements and anti-ESG sentiment were influencing political agendas ended with the election of a U.S. president intent on upending global norms across the board. As a result, policy activity was a mixed bag, with the balance shifting from driving new regulations and policy interventions to pressuring regulators and governments to not water down existing standards and legislation.

This trend has only grown in 2025, and we anticipate that much of the work we look back on this year will have been focused on holding the line on key policy wins of the past. This is true whether we are talking about the U.S., Europe, and even Canada. For example, we have been anticipating for several years that the Canadian Securities Administrators would by now have taken action on investor requests for improved diversity and climate-related disclosure, but the regulator announced early this year that it would be pausing further action on these issues indefinitely.

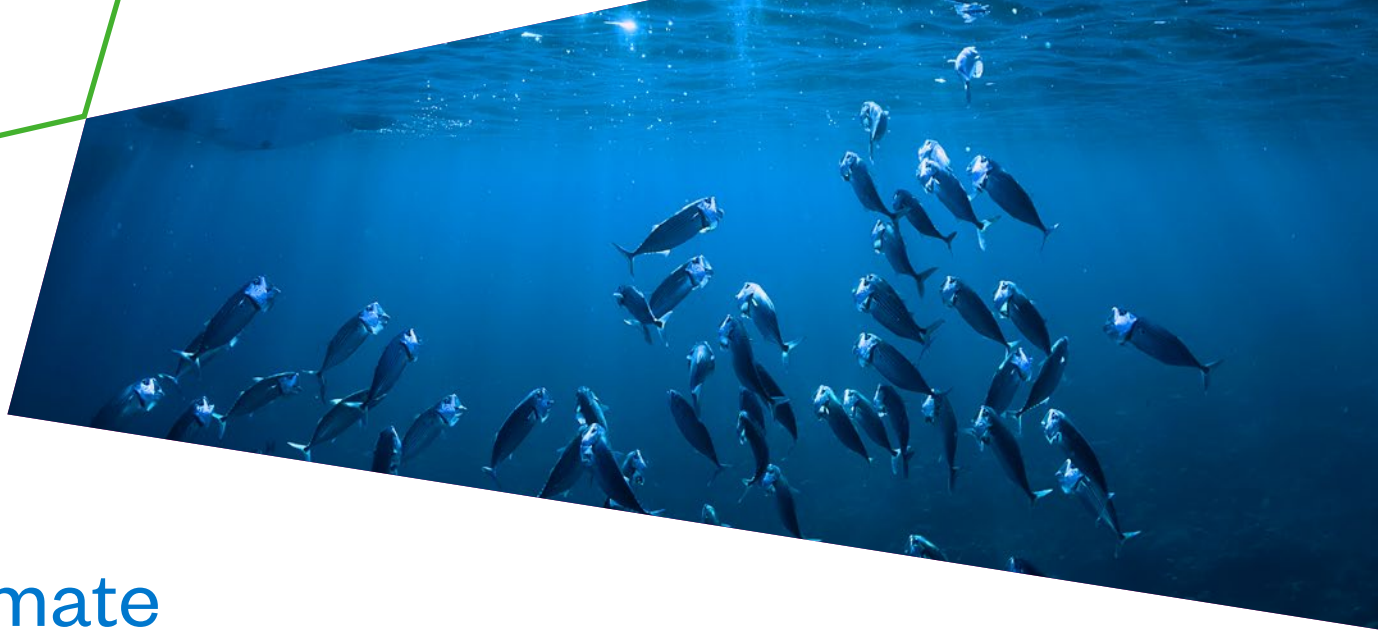
In spite of the many challenges, or perhaps because of them, the importance of engaging on policy issues has only increased. Investors will need to increase the sophistication of how they engage with policymakers

and standard setters to counteract the current shift away from sustainability-friendly legislation in order to drive home the message that long-term economic growth and security is not hindered by sustainability-focused policies, but rather dependent on them.

Most policy initiatives have been captured above in the Stewardship chapter of the report beginning on page 23 and are grouped by focus theme, so our work supporting the standardization of climate-related reporting, for example, would be found in the section on net-zero alignment. Below we have highlighted some of the initiatives we undertook that don't necessarily fit into a focus theme.

- Signed on to a letter requesting that companies listed on the S&P TSX 60 detail strategies for preserving shareholder participation at virtual meetings so that the experience is on par with in-person interactions.
- Signed on to an investor statement urging global adoption of the International Sustainability Standards Board's IFRS 1 and IFRS 2 by relevant governments and regulators to ensure broad standardization on sustainability disclosures.

- Responded to the PRI's consultation on its evolving strategy, highlighting areas where we feel the PRI is best positioned to support the development of a more sustainable financial system.
- Responded to the Canadian Sustainability Standards Board's consultation on proposed standards, highlighting our support for alignment with global standards set by the International Sustainability Standards Board.
- Submitted comments to the Canadian Investment Funds Standards Committee on the second draft of proposed changes to the organization's RI Framework.
- Along with other asset owners and investment managers, we met with the Ontario Securities Commission to discuss views on the regulator's proposed climate-related disclosure standards.
- Along with other investment managers, we met with the Ontario Securities Commission to discuss progress on the regulator's draft proposal regarding diversity disclosure beyond gender.
- Responded to the public consultation on new greenwashing provisions in the Competition Act.
- In coordination with the Portfolio Management Association of Canada, we contributed to a letter sent to the Senate on draft Bill C-281 regarding the Prohibiting Cluster Munitions Act.
- Signed on to a letter from the Investor Initiative on Hazardous Chemicals regarding "forever chemicals" (Per- and Polyfluoroalkyl Substances), sent to the European Commission.
- Provided comments to the Ontario Securities Commission regarding the regulator's Statement of Priorities for 2025–26.
- Responded to a proposal by the Accounting Standards Board regarding the incorporation of illustrative examples of climate-related uncertainties into the CPA Canada Handbook.
- As part of the Environmental & Social Committee of the Canadian Coalition for Good Governance, we provided feedback on the draft document Building High Performance Boards.
- Provided feedback to updated version of the PRI's proposed Progression Pathways Framework.
- Participated in a roundtable discussion hosted by International Shareholder Services on executive compensation, virtual-only shareholder meetings, and climate-related shareholder proposals.



Climate

The goal of our climate strategy is to drive real-world reductions in greenhouse gas emissions, so that as an investment manager, we can contribute to avoiding the worst effects of climate change as we seek to protect the value of our investors' assets.

Achieving that goal requires action on many fronts, beginning with alignment to net zero and running through our sub-advisor selection and monitoring process, security evaluation framework, active ownership program, policy and standards work, our commitment to transparency and reporting, and our duty as a corporate citizen.

The activities we undertake to mitigate climate-related risks and seize opportunities to fulfill our business strategy are captured within our climate strategy. In this section we share a breakdown of the progress we have made since publishing our *Climate Strategy Progress Report* in late 2023, including adjustments we have made to our commitments and targets based on what we have learned through implementation.

Status update: NEI commitment to the Net Zero Asset Managers initiative

On January 13, 2025, the Net Zero Asset Managers initiative announced it was pausing its work. Given the importance of the initiative in relation to our own climate commitments and portfolio transition plan, it

is worth quoting in full the details of the pause and the rationale behind it:

Recent developments in the U.S. and different regulatory and client expectations in investors' respective jurisdictions have led to NZAM launching a review of the initiative to ensure NZAM remains fit for purpose in the new global context. Signatories will be consulted throughout the review process and informed of any updates in a timely and transparent fashion.

As the initiative undergoes this review, it is suspending activities to track signatory implementation and reporting. NZAM will also remove the commitment statement and list of NZAM signatories from its website, as well as their targets and related case studies, pending the outcome of the review.⁴⁴

At the time this report was being prepared for publication, the outcome of the review was not yet known. Consultations with signatories continue, and NEI has been a part of that process.

In consideration of the uncertain future status of NZAM, we have removed references to the initiative in connection with our commitments and targets as

⁴⁴ <https://www.netzeroassetmanagers.org/update-from-the-net-zero-asset-managers-initiative/>.

compared to how they were presented in last year's annual report.

To be clear, NEI remains a signatory to NZAM, and the targets we published in 2023 in connection with our commitment remain in place as of this writing (see Metrics and Targets beginning on page 57). Our climate commitments do not hinge on our participation in NZAM, or in any other group we are a part of. They reflect our independent commitment to reducing real-world greenhouse gas emissions through our investment portfolio as a means of managing risk for our clients, so that they can achieve their long-term financial goals.

Climate Working Group

Earlier in this report we described the overall governance structure of NEI's responsible approach to investing, with a brief mention of NEI's Climate Working Group (see page 13). The Climate Working Group was formed in early 2021 to define and set out the firm's climate strategy. Our inaugural report, *NEI Climate Strategy: Commitment*, was published in November 2021. Since then, the group has continued to meet regularly, ideating, developing, and implementing aspects of our strategy such as climate-related policies and disclosure obligations, data acquisition and portfolio analysis, integration of climate factors into the investment decision-making process, sub-advisor status regarding climate commitments, reporting, and presenting this information up the governance chain for review and approval.

Business strategy

NEI has been considering climate-related risks in relation to its investment portfolio for many years. Until recently, climate risk assessment took place at the security level and was addressed through our evaluation framework and stewardship program, where we seek to draw attention to climate-related risks and influence companies to address them through strategic planning, capital allocation and target setting, as well as through our proxy vote decisions. Over the last four years incorporation of climate-related risks and opportunities has become a more prominent feature of our business strategy.

There are two types of risks associated with climate change: physical risk and transition risk. Physical risks include such things as rising sea levels, overall global temperature change, and extreme weather events such as floods, wildfires, droughts, and storms. Transition risks are those that pose a challenge—often existential, in a business sense—to the long-term sustainability of governments, companies and other organizations related to the “transition” to a low-carbon economy that is required to survive the worst effects of climate change. Examples of transition risks include regulatory and policy uncertainty, access to capital, increased cost of production inputs, changing consumer preferences, and many more.

Depending on where their physical operations are located, the predominant climate-related risks faced by asset managers such as NEI are transition risks. Our physical risks are being identified and managed by our parent company.

The transition risks we highlight in Table 15 are specific to NEI's role as an investment manager within the larger Aviso organization. We see these risks as relevant over short, medium, and long-term planning horizons. But it's not just about risks—the transition to a low-carbon economy also offers growth opportunities for our organization.

Table 15: NEI-specific climate-related risks and opportunities

Transition risk	Potential impact
AUM remains exposed to companies/sectors that lose market value due to climate-related losses.	Reduction in market value of portfolio, i.e., lower returns for investors.
Manager is unable to provide the climate-related investment solutions the market demands.	Decline in market share and assets under management, loss of growth opportunity.
Heightened regulatory scrutiny of climate disclosures, more onerous disclosure requirements.	Reputational damage, sanctions including finds/restate documents, drain of internal resources.
Manager not seen as pursuing stated goals with a credible plan and transparent reporting.	Reputational damage.
Opportunity	Potential impact
To uncover investment value throughout the market.	Improve long-term sustainability of returns for clients.
To develop climate-friendly investment products.	Increase revenue through asset growth, progress toward climate solutions investment targets (See “Metrics and targets” below).
To build advisor and investor confidence in their ability to mitigate/avoid effects of climate change as they pursue financial objectives.	Increase revenue through advisor and client loyalty to NEI, referral business.
To reduce real-world greenhouse gas emissions.	Drive overall success of energy transition, curb global warming.

Risk management

In Table 16, we share the results of our risk assessment and present an in-depth review of the tactics we employ to mitigate those risks. As you will see, our mitigation tactics are woven throughout everything we do as responsible investors, and many of them have been employed by NEI for over two decades.

Risk ratings are determined at NEI by assessing two factors: the likelihood of the risk occurring, and the impact on the business if the risk were to materialize. These factors are given a score, from which an overall risk rating (five possible levels) is derived. Each risk is also given a control rating, which is an evaluation of the effectiveness of the controls that are currently in place to mitigate the risk, and then assigned a risk treatment. The risks and ratings are included in NEI’s risk register, which provides visibility for Aviso’s enterprise risk management team.

Table 16: Transition risk assessment

Risk	Likelihood (1–5)	Impact (1–5)	Risk level	Control rating	Risk treatment
1. AUM remains exposed to companies/sectors that lose market value due to climate-related losses.	3	2	Medium	Robust	Monitor
2. Manager is unable to provide the climate-related investment solutions the market demands.	1	3	Low medium	Robust	Monitor
3. Heightened regulatory scrutiny of climate disclosures, more onerous disclosure requirements.	5	2	Medium	Adequate	Mitigate
4. Manager not seen as pursuing stated goals with a credible plan and transparent reporting.	2	2	Low medium	Robust	Monitor

Mitigation tactics

Company evaluations (Table 16; Risk 1)

We have been incorporating climate-related metrics into the company evaluation process for those sectors where climate change is deemed a material risk for almost 20 years. Sectors that receive a greater degree of scrutiny include energy, utilities, industrials, materials and financials. Among other expectations, we are looking for companies to have robust measurement and management of climate-related risks in place and to be developing credible transition plans and emission reduction strategies. The weighting of climate-related expectations depends on the sector, but it can be a material factor in whether we choose to invest in a company. The results of our evaluations inform our corporate engagement priorities, where we may seek to take a more aggressive approach in our dialogues. Evaluations are also likely to inform our proxy voting decisions.

Stewardship program (Table 16; Risk 1)

Corporate engagement. Our stewardship program is in its third decade, with climate change ranking among our top themes since 2005. We speak with a broad range of companies about their climate strategies and energy transition plans, drawing their attention to current and future risks and how they might overcome their sector-specific hurdles. We believe this constitutes a fundamental risk mitigation strategy for our investment portfolio, and ultimately our investors, who rely on us to help them achieve their financial goals amid the daunting challenges

of climate change. While it's not always possible to draw a direct line from our dialogues to the resulting corporate action, we feel confident stating we have contributed positively to the development of many companies' climate strategies, helping to de-risk their operations for their long-term sustainability and for the long-term sustainability of our investment portfolio.

Proxy voting. Proxy voting is a key component of our stewardship program and a foundational risk-mitigation tool. Our Proxy Voting Guidelines establish the proprietary framework we use to make our voting decisions and are revisited annually. Our 2025 edition, for example, guides us to vote against certain board members at high-impact companies that lack adequate emission reduction targets or are not effectively managing their climate-related risks.

Shareholder resolutions. This is an escalation measure we employ only when we feel that companies are falling behind where we expect them to be at, and where dialogue efforts have proven to be unfruitful. NEI will typically join with other likeminded investors when filing resolutions.

Policy activity (Table 16; Risk 1, 3, 4)

This covers an extensive array of activities for our Responsible Investing team as NEI seeks to create positive momentum in domestic and global initiatives related to managing and reducing the risks of climate change. Our team members participate in, organize, chair, and otherwise contribute to investor collaborations, standard-setting initiatives, and the

development of policies and frameworks. Participating in such activities along with other likeminded investors enables us to influence change at a higher level and to stay abreast of emerging policy-driven risks and opportunities that could affect our investment portfolio.

Sub-advisor selection and oversight (Table 16; Risk 1, 2)

Ongoing due diligence and oversight of our sub-advisors is a staple risk management tactic, and it is one we have been emphasizing more as climate-related risks and opportunities climb higher on the list of material considerations. We conduct in-depth due diligence on each sub-advisor annually and have ad hoc conversations and meetings throughout the year as we seek to understand how they are incorporating climate considerations into the funds they manage for us, including their definitions of climate solutions, their engagement strategies, and their net-zero commitments and pathways, among other things.

Product innovation and development (Table 16; Risk 2)

One of the best ways to encourage further and ongoing investment in a successful global energy transition is to provide investors with robust and easy-to-access investment products. For NEI, those investment products are mutual funds. We design our funds to meet our clients' dual need of achieving their financial goals while making a positive impact on the world. The more investment dollars that are put toward the problem of climate change, the greater the likelihood we will avoid its worst effects.

Advisor education (Table 16; Risk 2)

Advisor education goes hand-in-hand with product development and availability. We work with advisors to help them understand the importance of considering climate change in the context of an investor's portfolio, and how they can walk their clients through the options that will capitalize on opportunities associated with the climate transition, as well as supporting positive environmental impacts. This is not just a tactic for managing our portfolio risk, it is a tactic for advisors to manage their own business risk. We want them to be comfortable answering client questions about portfolio impact, and about how their investments may or may not be contributing to the energy transition.

Engagement with regulators (Table 16; Risk 3, 4)

We meet with the Canadian Securities Administrators (CSA) and individual provincial regulators as part of formal consultations, often proactively and with other investors. We submit feedback on proposals whenever we have the opportunity. Though we recognize that as of this writing the CSA has paused its work developing mandatory climate-related disclosures, we continue to meet with the Ontario Securities Commission, encouraging them to bring this topic back to the table as soon as possible.

Reporting initiatives (Table 16; Risk 3, 4)

To foster transparency and maintain accountability, NEI produces various materials intended to keep our stakeholders informed of our responsible investment activities and progress toward goals. These include both quantitative and qualitative analyses of such things as corporate dialogues, proxy vote results, impact metrics, shareholder resolutions, and climate information as you see here.

Maintain standing with industry groups (Table 16; Risk 4)

This includes fulfilling our reporting obligations with the PRI and NZAM if and when it is required, aligning our climate reporting to the applicable Canadian Sustainability Disclosure Standard, and leading engagements in the CA100+ and Climate Engagement Canada investor collaborations, as well as the Finance Sector Deforestation Action initiative.

Climate strategy update

Our strategy is founded on six pillars, summarized below. We have revised our pillars and underlying commitments over the years to account for our progress in the time since we published our original climate strategy (2021) and subsequent progress report (2023). Investment managers, companies, regulators, standard setters, governments, policymakers, and all other stakeholders are operating in a fast-moving environment surrounding responsible investing and the challenges of climate change, including disclosure requirements, data availability, legal implications, and internal assessment and resource considerations.

Due to the variation in disclosure regimes and legal uncertainty, particularly in the U.S., but also to a lesser degree in Canada, we have decided for this year's reporting cycle to adjust many of the underlying commitments to our six strategy pillars. We have removed the granular targets we had set in favour of broader language that permits greater flexibility in response to this uncertain operating environment. In consideration of our business model as a manager of managers, with many of our managers located in different parts of the world and facing their own disclosure obligations and uncertainties, we feel it is the prudent approach.

Six pillars

Net-zero alignment

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

Stewardship

We commit to pursuing our corporate engagement activities with renewed vigour to amplify our influence, stressing the development of net-zero strategies and widespread adoption of the International Sustainability Disclosure Standards or their regional equivalent.

Climate-focused investment solutions

We commit to offering our current and prospective clients investment funds that include environmental impact considerations and climate change mitigation opportunities as a significant aspect of the funds' investment objectives.

Policies, standards, and collaborations

We commit to continuing our work with standard-setters, regulatory bodies, and the government to strengthen global oversight of our shared path to a low-carbon economy. We believe this can be better achieved when working with multiple stakeholders as part of a larger group.

Transparency and reporting

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

Internal alignment

We commit to supporting the corporate sustainability strategy of our parent company Aviso in order to reduce the organization's operational carbon footprint and improve its environmental impact.

Metrics and targets

Our targets fall into three categories: portfolio decarbonisation, corporate alignment to a net-zero pathway, and asset growth in climate solutions investments. Our selection of these categories and the target-setting approach within them was developed in line with the Net Zero Investment Framework (NZIF). References to the relevant NZIF guidance for each target category are provided in each section. Climate data in this section is sourced from MSCI.

Table 17: Scope of NEI assets under management for portfolio emissions analysis

In scope	Out of scope
Listed equities	ETFs
Listed corporate bonds	Derivatives
Sovereign debt	

As third-party data providers continue to develop their capabilities, we continue to incorporate more information into our analysis. This year we have added our sovereign debt holdings to our in-scope AUM, bumping total in-scope AUM to over 90%. Having said that, data coverage on those holdings was exceptionally low, at roughly 6%. Given that, we have decided not to report financed emissions tied to sovereign debt holdings until we are able to achieve a higher level of coverage.

Figure 21: High impact versus low impact sector % of in-scope AUM*

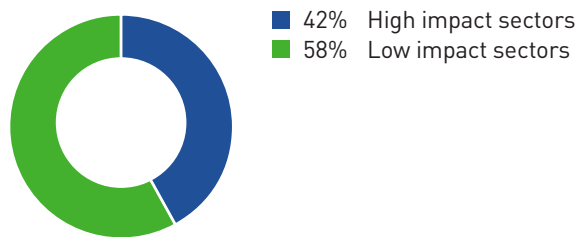
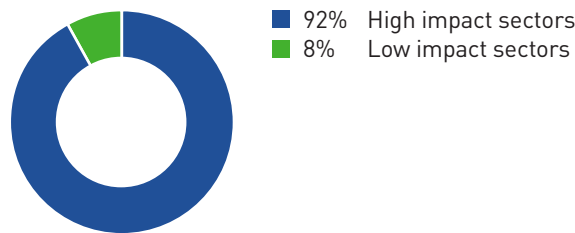


Figure 22: Financed emissions % of in-scope AUM*



* In-scope AUM is 92% of total AUM and includes listed equity, corporate bonds and sovereign bonds. High-impact sectors are defined by the Net Zero Investment Framework and include energy, industrials, utilities, materials, and certain sub-sectors within the information technology and consumer discretionary sectors. Any holdings not in those sectors or sub-sectors are deemed to be in low-impact sectors.

What are financed emissions?

Financed emissions are the greenhouse gas (GHG) emissions tied to the investment and lending activities of financial institutions. They can be thought of as the carbon footprint of an investment manager's portfolio or a bank's lending book. Emissions of all issuers in a portfolio (in-scope AUM only) are summed, and the proportional share attributable to each issuer is calculated based on the year-end issuer holdings within the portfolio, whether equity or debt.

What are scope 1, scope 2, and scope 3 emissions?⁴⁵

GHG emissions are grouped into "scopes" as a way of setting operational boundaries for the purposes of attribution.

Scope 1: Direct GHG emissions

Direct GHG emissions occur from sources that are owned or controlled by the company, for example, emissions from combustion in owned or controlled boilers, furnaces, and vehicles; emissions from chemical production in owned or controlled process equipment.

Scope 2: Electricity indirect GHG emissions

Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the company. Scope 2 emissions physically occur at the facility where electricity is generated.

Scope 3: Other indirect GHG emissions

Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.

Table 18: Portfolio GHG emissions (scope 1 and 2)

	2024	2023	2022	2021	2020	2019
In-scope AUM	92.3%	84.9%	82.4%	80.9%	82.3%	79.4%
Absolute emissions (tCO ₂ e)	358,919	372,968	457,404	545,828	448,271	463,768
Financed emissions (tCO ₂ e/\$1M invested)	46.4	54.3	71.7	72.2	73.6	91.3
Data coverage	90.4%	93.9%	84.3%	83.9%	85.5%	91.5%
Weighted average carbon intensity (tCO ₂ e/\$1M sales)	135.4	164.2	201.9	203.2	195.2	190.3
Data coverage	90.6%	96.9%	89.4%	89.0%	90.5%	93.2%

tCO₂e = Tonnes of carbon dioxide equivalent. Climate data source: MSCI. GHG emissions data is a combination of issuer reported and MSCI estimated. Though we present the 2024 portfolio emissions data as of December 31, 2024, underlying data for individual issuers may be as of an earlier date, depending on each issuer's reporting timeline. Holdings data source: Bloomberg. Data for the years 2019-2023 were previously reported in our 2024 *Responsible Investment Report*, published October 2024.

⁴⁵ Source for definitions: World Resources Institute and World Business Council for Sustainable Development, The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard, Revised Edition, 2004, 25.

As Table 18 shows, our portfolio footprint continues to decline from both a financed emissions perspective and a weighted average carbon intensity (WACI) perspective. While we have not set a portfolio-wide decarbonisation target (see the section below for fund-specific portfolio decarbonisation targets), we do track and report on these numbers in the interests of transparency. The data provides us the ability to identify portfolio-level trends to investigate and will eventually be the evidence we need to feel confident our portfolio is indeed decarbonising. The trend is clearly positive in that respect, but it would be premature to consider the current trajectory to be proof of success.

We have not yet isolated the specific cause or causes of the decline, and we intend to conduct a deeper analysis of our portfolio to identify contributing factors. Initial review suggests the steady drop in our portfolio-wide emissions does not appear to be the result of changing sector allocation. It is interesting to note that while our relative exposure to energy and materials names stayed almost the same between 2021 and 2024, the corresponding financed emissions associated with those sectors decreased significantly. Those two sectors were the top two contributors to our financed emissions footprint in 2021; the decline in emissions means either that we are investing in less carbon-intensive names within these sectors, or that our existing holdings are starting to make noticeable progress on reducing real-world emissions, or likely some combination of those factors.

Portfolio decarbonisation targets

Our portfolio decarbonization targets apply to two funds, covering approximately 13% of our AUM, or \$1.6B as of December 2024. Both funds are sub-advised by France-based Amundi Asset Management. Targets are set against a 2019 baseline of each fund's benchmark GHG emissions intensity, measured in tonnes of CO₂ equivalent per US\$1 million of sales (tCO₂e/\$M).

For both funds, we are targeting:

- By 2025, 30% reduction in GHG emissions from 2019 baseline

- By 2030, 60% reduction in GHG emissions from 2019 baseline
- By 2050, 100% reduction in GHG emissions from 2019 baseline (net zero)

NEI Global Total Return Bond Fund

- Benchmark⁴⁶ emissions intensity (2019 baseline): 363.0 tCO₂e/\$M sales (USD)
- Fund emissions intensity as of December 2024: 50.5 tCO₂e/\$M sales (USD)
- Emissions intensity reduction from benchmark baseline: 86%

Decarbonization approach, excerpt from NEI's simplified prospectus dated March 27, 2025:

The Fund follows a portfolio decarbonization approach intended to reduce the financed emissions of the corporate bond holdings of the Fund to net zero by 2050. (Financed emissions are defined as the proportion of emissions associated with the underlying holdings that are financed by the Fund's investment in those holdings.) To achieve this, some or all of the Fund's holdings will be linked to lower carbon emissions, and the Fund will strive to maintain a level of financed emissions that is lower than a projected pathway from the benchmark level at 2019 to net zero by 2050. Carbon emissions will be measured and reported in tons of CO₂ equivalent per US\$1 million in aggregate corporate revenue of Fund holdings.

The achievement of the Fund's net-zero target as described above is dependent on external factors outside the control of the Manager and Sub-Advisor. External factors include but are not limited to technology advancement, commercial developments, climate change, and the regulatory environment. There can be no guarantee the Fund will meet its target.

⁴⁶ Corporate segment of the Bloomberg Global Aggregate Hedged Index.

NEI Global Dividend RS Fund

- Benchmark⁴⁷ emissions intensity (2019 baseline): 238.8 tCO₂e/\$M sales (USD)
- Fund emissions intensity as of December 2024: 85.0 tCO₂e/\$M sales (USD)
- Emissions intensity reduction from benchmark baseline: 64%

Decarbonization approach, excerpt from NEI's simplified prospectus dated March 27, 2025:

The Fund follows a portfolio decarbonization approach intended to reduce the financed emissions of the Fund to net zero by 2050. (Financed emissions are defined as the proportion of emissions associated with the underlying holdings that are financed by the Fund's investment in those holdings.) To achieve this, some or all of the Fund's holdings will be linked to lower carbon emissions, and the Fund will strive to maintain a level of financed emissions that is lower than a projected pathway from the benchmark level at 2019 to net zero by 2050. Carbon emissions will be measured and reported in tons of CO₂ equivalent per US\$1 million in aggregate corporate revenue of Fund holdings.

The achievement of the Fund's net-zero target as described above is dependent on external factors outside the control of the Manager and Sub-Advisor. External factors include but are not limited to technology advancement, commercial developments, climate change, and the regulatory environment. There can be no guarantee the Fund will meet its target.

Portfolio companies' alignment to a net-zero pathway

As a key aspect of our climate strategy, we have set targets designed to help focus our effort to drive reductions in real world emissions. Using NZIF to guide our work, we have developed a custom framework using multiple data points from different data providers to determine alignment. We consider a company to be aligned to a net-zero pathway if its commitments, actions, and performance put it on a likely trajectory of reducing its GHG emissions to net

zero by 2050 or sooner. The goal is not to define the exact nature of an aligned company, since there is a great deal of uncertainty as to how companies will ultimately be successful in transitioning to a net-zero state. Rather, the goal is to have a credible and objective manner to assess our portfolio companies on their transition readiness, and to effectively prioritize our stewardship activities toward the companies that need the biggest push.

The targets are as follows:

- By 2025, 70% of financed emissions in material sectors are net zero, net-zero aligned, or the subject of engagement
- By 2030, 90% of financed emissions in material sectors are net zero, net-zero aligned, or the subject of engagement
- By 2040, 100% of financed emissions in material sectors are net zero or net-zero aligned

To date, our alignment targets have largely served the purpose we intended for them, which is to help focus our stewardship efforts on our biggest emitting, least aligned holdings. We are mostly on track to reach our 2025 target, though it will require a concerted effort to get there. As we pursue our alignment targets, we are learning how to refine our framework while also identifying challenges that we will need to reckon with to meet our goals.

One of our refinements was to categorize as aligned those companies with green revenues of over 70% of total revenues, and/or renewable energy production of over 80% of total production. Our rationale is that these companies are producing the products and services that will help transition the economy to a low-carbon future and if anything, we need to provide even more capital to them. Our engagement efforts, for now, are best spent elsewhere. This change was in part why we saw the percentage of aligned names rise to 21%, from 15% the year prior.

A challenge with our approach is that because we have taken a relatively conservative view of what companies can be considered aligned, particularly as it comes to GHG emissions trends, companies can jump in and out of the alignment category from year to year. This is likely to complicate the achievement

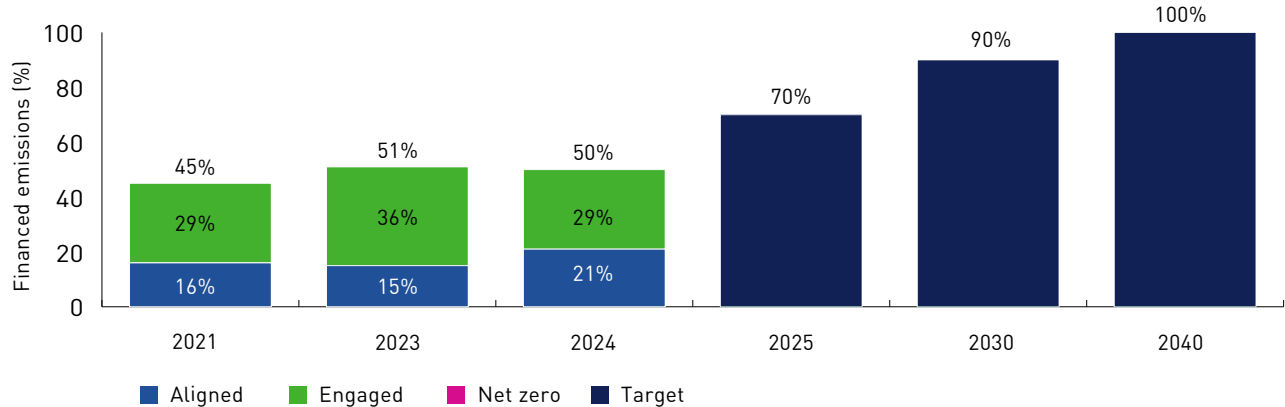
⁴⁷ MSCI World Index.

of our targets. For example, if a company we had previously categorized as aligned jumps to being non-aligned in our year-end analysis, and we have intentionally avoided engaging them to focus on other names, we could see a drop in the percentage of aligned AUM.

One aspect that might impact our ability to accurately categorize companies is the increased regulatory and legal scrutiny over climate-related disclosure, particularly when it comes to net-zero targets. We have already seen companies removing public disclosure on their emissions reduction targets, and since robust targets are incorporated into our alignment framework, this may start to impact our assessment. That said, we are heartened to see the number of companies setting science-based targets continue to grow, a development that offsets the reluctance of some companies to disclose their targets.

A different challenge has to do with the nature of corporate engagement itself. Our years of stewardship have taught us that effective engagement can often take years of persistent effort, and that corporate actors often require that year-over-year engagement to maintain the momentum, with many engagements having multiple touchpoints a year. Because our framework uses a rolling two-year period to account for engagement activities, a particularly deep engagement that might have involved five or six meaningful interactions over two years will only be counted once for the purposes of our targets. As a result, as the percentage of companies we aim to engage increases, the resources required to engage those companies will also increase. This may eventually cause tension with other stewardship objectives. We will look to learn from our experiences and further refine our approach to address these and other challenges.

Figure 23: Summary of alignment results for NEI investment portfolio, 2024 holdings



Analysis conducted June 2025. In-scope AUM is 92% of total AUM and includes listed equity, corporate bonds and sovereign bonds. High-impact sectors are defined by the Net Zero Investment Framework and include energy, industrials, utilities, materials, and certain sub-sectors within the information technology and consumer discretionary sectors. Any holdings not in those sectors or sub-sectors are deemed to be in low-impact sectors. Companies engaged are based on a rolling two-year window; in this data set, companies may have been engaged at any time in 2023 or 2024. Data sources: MSCI, Sustainalytics, FactSet, Institutional Shareholder Services, Bloomberg.

Table 19: Top 10 contributors to financed emissions

Company	Financed emissions*	Sector	Country	Aligned	Active engagement
Capital Power	28,180	Utilities	Canada	N	N
Air Liquide	16,156	Materials	France	N	Y
Veolia Environnement	15,490	Utilities	France	Y	N
Emera	9,559	Utilities	Canada	N	N
Imperial Oil	8,830	Energy	Canada	N	Y
American Electric Power	8,568	Utilities	U.S.	N	N
Waste Management	7,827	Industrials	U.S.	Y	Y
AltaGas	7,684	Utilities	Canada	N	Y
Linde	7,009	Materials	U.K.	N	N
Shell	6,592	Energy	U.K.	Y	Y

*Tonnes per US\$1M invested, sorted highest to lowest.

Table 20: Top 10 aligned companies

Company	Financed emissions*	Sector	Country
Veolia Environnement	15,490	Utilities	France
Waste Management	7,827	Industrials	U.S.
Shell	6,592	Energy	U.K.
Republic Services	4,318	Industrials	U.S.
Enel	3,963	Utilities	Italy
China Longyuan Power Group	2,440	Utilities	China
Canadian National Railway	1,654	Industrials	Canada
Union Pacific	1,567	Industrials	U.S.
CCL Industries	1,272	Materials	Canada
Drax Group	1,162	Utilities	U.K.

*Tonnes per US\$1M invested, sorted highest to lowest.

Accounting for the banks

Since adopting our alignment framework, the NZIF guidance has been updated to include the banking industry in its definition of “high impact” sectors because of the central role the industry plays in providing capital to high-emitting companies. We agree with NZIF on the importance of the banking sector in driving toward a net-zero economy; however, we have not included these names in our alignment framework. The primary reason for that is that the scope 1 and 2 emissions associated with banks are so exceedingly small when compared to the other high impact sectors, such as energy and utilities, that engaging every last one of the banks in our portfolio would barely make a dent from a financed emissions perspective.

The importance of the industry lies in its own financed emissions, i.e., the loans and financing that banks provide to high impact emitters. Encouraging banks to address their financed emissions’ footprint has been a key aspect of our engagement with the industry, as has increasing the industry’s support for low-carbon solutions. As we have not yet incorporated scope 3 emissions in our alignment framework due to concerns about data accuracy, we are not currently accounting for the financed emissions of the banks. But, we have prioritized the sector for engagement because of its pivotal role in supporting the path to net zero. We have adopted an approach focused on our banking industry holdings that we believe aligns with our current NZIF targets. By the end of 2024 we had engaged roughly

52% of our banking industry AUM on the topic of net-zero alignment, a number commensurate with progress against our climate alignment targets.

Climate solutions investments

The third category of our NZAM commitment relates to growing assets in climate solutions to enable the transition to a low-carbon economy. The guidance provided by NZIF encourages investment managers to “create investment products aligned with net-zero emissions by 2050 and facilitate increased investment in climate solutions,”⁴⁸ and to set a goal “for allocation to climate solutions representing a percentage of revenues or capex from AUM... increasing over time, in line with investment trajectories based on a net-zero pathway.”⁴⁹

Our target is as follows:

- By 2030, tripling of assets in climate solutions investments

Our definition of climate solutions investments is tied to our impact mandates, which seek to make a positive, measurable impact on such environmental challenges as climate change mitigation and adaptation. We are measuring progress toward this goal as growth in AUM in our local currency (C\$), but for NZAM purposes, we are required to report figures in US\$.

Table 21: Progress toward climate solutions investment target

	Baseline (2021)	June 30, 2025	% change	Target (2030)
CAD	\$1.99B	\$2.52B	26.6%	\$5.97B
USD	\$1.57B	\$1.85B	17.8%	\$4.71B

⁴⁸ Paris Aligned Investment Initiative, Net Zero Investment Framework Implementation Guide, version 1.0, March 2021, 9.

⁴⁹ Ibid, 10.

Scenario analysis

Scenario analysis is an area where we have been constrained by capacity and resources, such that we have made the decision to revisit its purpose and value for our portfolio before proceeding with an in-depth analysis. It would be a relatively straightforward exercise for us to run an analysis using a third-party application designed for the job, but interpreting the output in a way that is meaningful and understanding what is behind it, and further, incorporating the results into our investment decision-making process at the asset allocation and/or security selection level requires a significant commitment of resources.

Early in 2025 we participated in a scenario analysis workshop with one of our sub-advisors who has done some advanced work in this area. The exercise focused on a qualitative, narrative-based approach to the challenge of climate change that we believe will be more valuable to us than a purely quantitative approach. With this initial foray into scenario analysis under our belt, we can say with confidence that we have clearer, more appropriate direction for our organization to take – yet more foundational work is required.

Appendix A: Collaborations

NEI participates in many organizations with the goal of helping companies better manage risk as they strive to grow and maintain sustainable value. We also participate in policy working groups and other related collaborative initiatives.

Group name (alphabetical order)	NEI role*	Date joined
Access to Medicine Foundation	Investor member; Expert Review Committee (2024), Independent external reviewer of 2024 Access to Medicine Index Report	2018
Canadian Coalition for Good Governance	Member of E&S Committee	2005
Canadian Sustainability Standards Board	Board member	Inception 2023
CDP (formerly Carbon Disclosure Project)	Signatory; participant in Non-Disclosure Campaign, Science-Based Targets Campaign	2006
Ceres	Investor participant in Valuing Water Finance Initiative (lead on one engagement, co-lead on one other); participant in Carbon Asset Risk Working Group, Canadian O&G Working Group, Midstream Working Group	2008
Circular Economy Leadership Canada	Founding member; member of the Circular Finance in Canada 2.0 project	2019
Climate Action 100+	Lead and co-lead on two engagements, participant in others	Inception 2017
Climate Engagement Canada	Founding participant; member of Technical Committee; co-lead or lead on four engagements, participant in five others	Inception 2021
Energy Futures Lab	Ambassador; participant in the Alberta Competitiveness Advisory Committee	2019
Finance Sector Deforestation Action	Co-lead on two engagements, participant in others	2021
Initiative for Responsible Mining Assurance	Investor board member representing the finance sector; member of executive committee	2021
Interfaith Center on Corporate Responsibility	Associate member; participant in Methane Leadership Group, Finance Working Group, and Health Equity Working Group	2006
International Corporate Governance Network	Co-chair of Human Capital Committee, Member of Global Policy Committee	2008
Investor Alliance for Human Rights	Advisory committee member, co-lead on one Ranking Digital Rights engagement, participant in others	2018
Nature Action 100	Investor participant	2023
Principles for Responsible Investment	Sustainable Systems Investment Manager Reference Group; various collaborations over time (Methane Collaboration, Oil and Gas Advisory Committee, Transition Collaboration)	2006 (year PRI was formed)
Responsible Investment Association	Board member; executive committee member; sustaining member; participant in Policy Stewardship Group	1999
Taskforce on Nature-related Financial Disclosures	Forum member	2023
World Benchmarking Alliance	Investor participant in Collective Impact Coalition for Ethical AI, lead on two engagements, co-lead on one other	2022

*NEI role is as of December 31, 2024, and may not be current as of this report's publication.



NEI

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