NEI INVESTMENTS

Corporate Social Responsibility and ESG Investing Program Report

2016

A Message from Our CEO

The year that was 2016 at NEI Investments was productive, profitable and undeniably "responsible." Our commitment to delivering superior risk-adjusted returns for investors, built on the guiding principles of responsible investing (RI), is firmly entrenched within our organization's DNA. While the investment landscape in Canada continues to be fast-paced and ever changing, we believe that sound business decisions must consider environmental, social and governance (ESG) impact so we strive to integrate social responsibility into all aspects of our work.

We also pride ourselves on our transparency. As such, in addition to specific disclosure about our ESG investing program, we issue an annual report on our RI activities, in accordance with the Principles for Responsible Investment (PRI) Reporting Framework, as well as this report on our corporate social responsibility (CSR) and ESG Investing activities.

2016 CSR Highlights

- Our program for employee-driven fundraising matched employee donations in support of victims of Hurricane Matthew and the Fort McMurray wildfire.
- Through our employee volunteering program, we held successful employee volunteering days at food banks in Montreal, Toronto and Vancouver.
- Through our relationships with Offsetters and Bullfrog Power, we continued to support projects that are contributing to the transition to a low-carbon future.

2016 ESG Investing Program Highlights

- We engaged in 84 dialogues with companies on a variety of ESG issues.
- We released two research reports: *Transitioning to a Low-Carbon Energy System* and *Farm to Fork.*
- We voted 7,074 proxy items, voting against management 41% of the time and against compensation at North American companies 87% of the time.
- We made 34 formal policy and standards submissions to governments and regulators on ESG issues; including climate policy, environmental assessment, human rights, board diversity and creating an environment supportive to responsible investing.

We are proud to share our 2016 achievements and will seek to further strengthen and deepen our efforts for the benefit of all our stakeholders in 2017.

Thank you for your continued support.

Sincerely,

John Kearns
Chief Executive Officer

About NEI Investments

NEI Investments (NEI) is owned 50% by Desjardins Group and 50% by the Provincial Credit Union Centrals. NEI offers a wide range of conventional and corporate class funds through Northwest Funds and Ethical Funds, the largest responsible investing fund family in Canada. Ethical Funds' approach to investing is based on the thesis that companies integrating best ESG practices into their strategies and operations will provide higher risk-adjusted returns over the long term.

At year-end 2016, NEI had 106 employees and approximately $6 billion[1] in assets under management.

Our head office is located in Toronto and we have offices in Vancouver and Montreal.

This report covers the period of Jan 1 to December 31, 2016. [2]

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1. All figures in Canadian dollars unless otherwise noted.
2. In some cases, more recent information has been provided where appropriate.

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CSR at NEI Investments

Our CSR Mission

Inspired by our ESG efforts to make a difference at the corporate level, the people of NEI Investments strive to integrate social responsibility into all aspects of our work, focusing on issues and initiatives where we are most able to affect change.

Our CSR Commitments

1. Pursuing the highest ethical standards.
2. Demonstrating leadership in responsible investing.
3. Minimizing the environmental and social footprint of our operations and supply chain.
4. Striving to be an employer of choice.
5. Engaging our stakeholders with integrity.
6. Contributing to the community.

Our CEO oversees our CSR program, but our Vice President, Human Resources leads the program at the senior management level, ensuring that CSR initiatives get the attention they deserve. Responsibility for specific CSR initiatives is delegated and de-centralized to appropriate departments. We also have a staff CSR Committee, which helps guide the program and develop and implement new CSR initiatives. More information on our CSR reporting structure can be found at the end of this report.

Our CSR Commitments and Progress

Near the end of each year, our CSR Committee — in consultation with staff and senior executives — sets out specific objectives under each of our six broad CSR commitments.

Commitment #1: We pursue the highest ethical standards in the ways we do business.

The design and sale of mutual funds is closely regulated in Canada. Among the most significant regulations that we must follow are the National Instruments laid down by the Canadian Securities Administrators. These include:

- *NI 81-101 Mutual Fund Prospectus Disclosure*
- *NI 81-102 Mutual Funds*
- *NI 81-105 Sales Practices*
- *NI 81-106 Continuous Disclosure*
- *NI 81-107 Independent Review Committee*

In addition to abiding by industry regulations, we have policies in place that address a range of business ethics issues, including fraud, corruption, money laundering, insider trading, conflict of interest and privacy. We also have a confidential whistleblower process, through which employees can report any ethical concerns.

Our policies include:

- Board Governance Manual
- Code of Ethics for Business Conduct
- Code of Ethics for Personal Trading
- Communications Policy
- Conflict of Interest Manual
- Corporate Donations Policy
- Corporate Social Responsibility Policy
- Harassment Policy
- Paper & Printing Selection Policy
- Privacy Policy
- Whistleblower Protection Policy
- Code of Conduct for Engaging External Parties (ESG Services Department)

We also subscribe to a range of voluntary economic, environmental and social principles and initiatives — following them ourselves where they apply to our work or encouraging the companies in our portfolios to follow them (see *The Principles That Guide Us,* below).

Our Legal Department monitors compliance with the ethical business policies. During 2016, monitoring revealed:

- No incidents of discrimination.
- No allegations of corruption.
- No fines or sanctions for non-compliance with laws or regulations.
- No substantiated customer privacy or data loss complaints.

New employees are required to study our ethical business policies. Every year, each employee is required to refresh her or his knowledge of the policies and submit a renewed statement of commitment to our Legal Department.

Our ESG Services Team is bound by a *Code of Conduct for Engaging External Parties*, which covers relationships with companies and other stakeholders we engage with in carrying out our ESG Investing program. It addresses issues like use of information, record keeping, respect for cultural and political contexts, collaboration, and transparency and reporting. Each ESG Services Team member reviews and recommits to the code each year, and the code is reviewed and updated every second year. We believe this code is unique within the RI industry.

We believe the companies we invest in should be transparent about their lobbying positions and political activities, and we hold ourselves to the same standard. Our Corporate Donations Policy states that we will not fund politicians or political parties.

As part of our responsible investing commitment, we often participate in policy consultations to advance financial market reform, shareholder democracy and corporate sustainability standards. We disclose our positions and submissions to government, industry associations and standards setters on our website.

More information about our public policy work can be found on our website at:
http://www.neiinvestments.com/pages/about-nei/about-ethical-funds/esg-difference/public-policy-and-standards/

The Principles that Guide Us

Initiative	Our Role
Canadian Boreal Initiative (CBI) Boreal Forest Conservation Framework	Endorser
CDP (formerly the Carbon Disclosure Project)	Signatory
Extractive Industries Transparency Initiative (EITI)	Supporting Investor. We promote EITI supporter status to portfolio companies and advocate for Canada to implement EITI.
Forest Stewardship Council (FSC)	We give preference to FSC paper products internally and promote FSC certification to portfolio companies, where applicable.
Principles for Responsible Investment (PRI)	Signatory
OECD Guidelines for Multinational Enterprises	We conduct due diligence to ensure compliance with the guidelines.
UN Global Compact	We promote the Global Compact to portfolio companies.
UN Guiding Principles on Business and Human Rights	We promote the Guiding Principles to portfolio companies and advocate for integration of human rights considerations in investment decision-making.
UN Guiding Principles Reporting Framework	We promote the Framework to portfolio companies.
UN Sustainable Development Goals (SDGs)	We promote the SDGs to portfolio companies.

Commitment #2: We demonstrate our leadership in responsible investing.

NEI's commitment to responsible investing is long-established and well-documented. It is built on three strategies:

1. Providing Canadians with industry-leading responsible investment (RI) choices through our Ethical Funds family.
2. Practicing active ownership across our funds.
3. Promoting the concept of sustainability within the investment industry through our emerging issues research, our public policy advocacy and by leading and participating in effective collaborative activities.

Our ESG Investing Program is based on the thesis that companies integrating best ESG practices into their strategies and operations will build long-term sustainable value for all stakeholders and provide higher risk-adjusted returns to shareholders. The program incorporates the following elements:

- Evaluation of sectors and companies for material ESG risks.
- Corporate engagement on ESG issues with companies in our funds.
- Proxy voting based on ESG guidelines.
- Public policy and standards work to mitigate systemic ESG risks.
- Research on emerging ESG issues.

All elements of the ESG Investing Program are applied to our Ethical Funds family. ESG-based proxy voting and policy/standards work are applied to the Northwest Funds family. We also provide some of these elements to other investment institutions on a contract basis.

Key areas of investment risk and opportunity addressed through the ESG Program include:

- Environment:
    - Climate change and energy transition
    - Air pollution
    - Water use and pollution
    - Biodiversity protection and land-use management

- Social
  - Human rights
  - Indigenous rights and community relations
  - Working conditions and labour rights
- Governance
  - Executive compensation and pay equity
  - Board diversity and performance
  - Risk management, innovation and strategy for change

The Canadian investment landscape poses unique challenges. Much of the value of Canadian stock exchanges is derived from extractive companies (primarily mining and oil and gas) and the major banks. As such, most Canadian equity RI mutual funds include companies from these sectors, and our Ethical Funds family is no exception. Our engagement-focused ESG Investing Program allows us to tackle the issues posed by these high-risk sectors by working with companies in our portfolios to promote change. We believe that active ownership is the best way to advance corporate sustainability and demonstrate our commitment to responsible investing.

To strengthen our industry and address sustainability issues, we belong to a wide range of associations and organizations. These include:

Organization	**Our Involvement**
Boreal Leadership Council (BLC)	In addition to being a member, we participate on the Free, Prior and Informed Consent in Canada Project Team and the Regional Strategic Environmental Assessment Project Team.
Canadian Business for Social Responsibility (CBSR)	
Canadian Coalition for Good Governance (CCGG)	In addition to being a member, we sit on the Environmental & Social Committee.
Canadian Cooperatives Association (CCA)	
Ceres	
FundSERV	
Interfaith Center on Corporate Responsibility (ICCR)	
International Corporate Governance Network (ICGN)	
Investment Funds Institute of Canada (IFIC)	In addition to being a member, we sit on the Board of Directors and the Policy Committee.
Responsible Investment Association (RIA)	We are a Sustaining Member and sit on the Board of Directors.

We support our ESG Services employees in attending courses, seminars and conferences to enhance their understanding of ESG risks within their sectors. As thought leaders on responsible investing, our employees are called upon frequently to share their expertise through presentations, articles, media interviews and requests to participate in academic research.

To ensure that the financial and extra-financial analysis processes are integrated, there is ongoing communication between the ESG Services Team and Ethical Funds' external portfolio managers.

Monitoring our commitment to responsible investing falls to several parties. The Investment Committee of the Board has overall responsibility for monitoring our fund families. Our Legal department monitors compliance with all aspects of securities regulations. Our Portfolio Management Team monitors the performance of our external portfolio managers. Finally, our ESG Services Team undertakes continuous risk monitoring of the Ethical Funds holdings to ensure that companies continue to be eligible for the portfolios. If serious issues are identified, established processes are initiated – the outcome of which may be enhanced monitoring, a new corporate engagement or divestment.

To learn more about the ESG Investing Program see: http://www.neiinvestments.com/pages/about-nei/about-ethical-funds/

2016 Highlights

The ESG Services team:

- Engaged in 84 dialogues with companies on a variety of ESG issues.
- Achieved positive or progressive results in 49 of the dialogues.
- Filed three shareholder proposals. In a North American first, our earlier shareholder proposal at Suncor on the energy transition was endorsed by company management and gained over 98% support at the 2016 AGM.
- Voted 7,074 proxy items, voting against management 41% of the time and voting against compensation at North American companies 87% of the time.
- Wrote 17 letters to company boards to provide feedback on our proxy voting decisions.
- Evaluated a total of 265 companies requested by our external portfolio managers for Ethical Funds.
- Made 34 formal policy and standards submissions to governments and regulators on ESG issues, including climate policy, environmental assessment, human rights, board diversity and creating an environment supportive to responsible investing.
- Released two research reports: *Transitioning to a Low-Carbon Energy System and Farm to Fork.*

Commitment #3: We minimize the environmental and social footprint of our operations and supply chain.

As an office-based investment company, our biggest environmental and social impacts are indirect — the impacts of the companies we invest in. We address this through our responsible investing program (described under Commitment 2, above). Our most significant direct environmental and social impacts are created by the products and services we purchase and consume; specifically business travel, energy use and paper use.

For a company with offices across Canada, travel is an unavoidable part of doing business. We track and offset the carbon emissions associated with air and car travel.

We do not have separate metering and are therefore unable to directly measure the effect of initiatives related to energy use and emissions. We track our energy use through each building manager.

For our paper use, we use Forest Stewardship Council (FSC) certified products for all our office paper needs, as a way to support sustainable forest management. For our printed materials, our Paper & Printing Selection Policy gives preference to FSC-certified recycled paper made from 100% post-consumer waste and sets 30% as the minimum recycled content.

2016 Highlights

- In 2016, our employees flew a total of 1,207,415 kilometres, compared to 1,088,251 kilometres in 2015. Our employees drove a total of 647,406 kilometres on company business in 2016, compared to 552,505 kilometres in 2015. Through our offset provider (Offsetters), we are offsetting the impacts of our air and car travel by supporting GHG reduction projects around the world. See http://offsetters.ca/offset-projects/by-portfolio/gold-standard
- We estimate that our electricity consumption remained stable at approximately 550 MWh in 2016. To cover electricity use at our Toronto, Vancouver and Montreal offices and to help advance renewable energy development in the regions where we operate, we purchase Bullfrog Power renewable energy certificates. Bullfrog Power sources green electricity from wind and hydro facilities that have been certified as low impact by Environment Canada under its EcoLogo™ program.
- We expanded our relationship with Bullfrog Power in 2015 to include our natural gas consumption.
- As an office based organization, our most significant material use is paper. As stated above, all three offices use FSC-certified paper.

Commitment #4: We strive to be an employer of choice.

Our employees are our greatest asset. Our success depends on their knowledge, skills and the exceptional service they provide. To this end, we offer our employees a competitive package of compensation and benefits, and meet or exceed the provincial employment standards in the regions of Canada where we have staff.

In support of this commitment and to help our employees develop professionally, we provide job-related training and education reimbursements. In 2016, we invested a total of $70,000 in employee training.

As an office-based financial services company, our primary occupational health and safety concerns encompass first aid, emergency preparedness, ergonomics, employee physical and mental health and welfare, and work-life balance.

Monitoring adherence to this commitment includes performance management. At the start of the year, managers and employee agree to performance objectives, which form the basis of a continuing dialogue throughout the year, including mid- and end-of-year assessments.

2016 Highlights

- We conducted our fourth annual culture survey to gain a better understanding of our company culture, how we work together, and how decisions are made — and made the results available to all employees.
- We were once again ranked among the top 50 "Best Workplaces in Canada (Medium Organizations)" and continued to be certified under the "Great Place to Work" program.

Commitment #5: Engaging our stakeholders with integrity.

2016 Highlights

- We made further enhancements to our proxy voting system.
- We updated the Ethical Funds website to better meet the needs of users.

Commitment #6: We contribute to the community.

To meet this commitment, we have a Corporate Donations Policy that sets out the framework for corporate and employee-driven philanthropy, defines decision-making procedures and identifies causes that are not suitable for support by the company.

As noted, we are owned by Desjardins Group and the Credit Union Centrals — organizations that are renowned for their co-operative values and community roots. Since we are owned by organizations that are intrinsically linked to the community, our philanthropic efforts are primarily focused on supporting our owners.

We support our staff by matching their donations to efforts to alleviate local and international crises.

2016 Highlights

- In the third year of our employee volunteering program, we held successful volunteering days at food banks in Montreal, Toronto and Vancouver.
- Our program for employee-driven fundraising matched employee donations in support of victims of Hurricane Matthew and the Fort McMurray wildfire.
- NEI made philanthropic donations of $16,209 and provided $255,808 in sales- and marketing-related sponsorships in 2016.

About ESG Services

This Report demonstrates the commitment of NEI Investments to its ESG Investing Program. NEI Investments continues to lead the RI industry in Canada with its comprehensive approach, dedicated internal resources, corporate engagement results and level of transparency.

Our efforts in 2016 represented the continuation of work that NEI has been tackling at the company, industry and regulatory level for many years. It is our belief that the RI industry needs to be at the centre of the debate on these issues. We hope that this report demonstrates our role in these discussions and encourages other investors to become more active.

We strive to lead through example: the disclosure of our approach to responsible investing on our website is, we believe, second to none.

NEI maintains an in-house team of ESG specialists, allowing for a rapid and flexible response to ESG challenges and opportunities, ranging from company evaluations and research to corporate engagement to proxy voting. However, we also seek and encourage adherence to RI principles in our supply chain, and therefore include ESG-related questions in portfolio manager due diligence questionnaires, as well as maintaining a close interaction between ESG Services and our portfolio managers.

NEI is a sustaining member of the Canadian Responsible Investment Association. Our CEO, John Kearns, sits on the board. We were a hosting sponsor of the RIA 2016 conference in Toronto, Ontario.

NEI is a long-time member of the Canadian Coalition for Good Governance.

NEI is a signatory to the Principles for Responsible Investment (PRI). The aim of PRI is to help investors integrate consideration of ESG issues into investment decision-making and ownership practices, and thereby improve long-term returns to beneficiaries. As of April 2016, PRI reported having more than 1,500 signatories with USD 60 trillion in assets under management. NEI has been a member of the PRI since 2009 (Ethical Funds joined in 2006) and is active on the PRI's Collaboration Platform.

As a signatory, NEI adheres to the following principles, which are reflective of our practices over the last decade, long before the PRI was officially launched in 2006:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Signatories report to PRI annually on implementation of the six Principles.

ESG Services Program Report

Program Highlights: January 1 to December 31, 2016

The ESG Services team:

- Engaged in 84 dialogues with companies on a variety of ESG issues.
- Achieved positive or progressive results in 49 of the dialogues.
- Filed three shareholder proposals. In a North American first, our shareholder proposal at Suncor on the energy transition was endorsed by company management and gained over 98% support at the 2016 AGM.
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- Evaluated a total of 265 companies requested by our external portfolio managers for Ethical Funds.

- Made 34 formal policy and standards submissions to governments and regulators on ESG issues; including climate policy, environmental assessment, human rights, board diversity and creating an environment supportive to responsible investing.
- Released two research reports: *Transitioning to a Low-Carbon Energy System* and *Farm to Fork*.
- Took a leadership role in the Canadian investment community on advancing climate policy in follow-up on the Paris Climate Conference.
- Recognized for our strong policies by inclusion as the first Canadian investment institution in the international civil society Cluster Munitions Hall of Fame.
- Recognized in Canada's Federal Sustainable Development Strategy as an example of how investment institutions can contribute to sustainability.

In 2017, NEI Investments plans to engage in dialogue with at least 50 companies, focusing on five key themes: climate change and the transition to a low carbon economy; the responsibility to respect human rights; sustainable food production and access to nutrition; business ethics in the pharmaceutical industry; and governance concerns including diversity, responsible tax practices and equitable compensation linked to ESG performance.

Engagement

We are committed to using the special rights that come with shareholder status to create positive change on behalf of our investors. Our objective is to seek opportunity and reduce risk to the long-term investment value of companies from ESG challenges, while helping to build an economy that works for people and the environment. We believe it is more effective to advance sustainability through corporate engagement than through exclusion and divestment alone — you can't change a company you don't have a stake in.

Our corporate engagement strategy covers all our funds, and integrates:

- Targeted, in-depth dialogues with selected companies — the Focus List.
- Engaged proxy voting according to detailed guidelines promoting sustainability and good governance, with outstanding disclosure of voting records.
- Providing constructive criticism to companies on their corporate governance and compensation practices through our "Feedback on Proxy" campaign.
- Responding to proactive requests from companies and industry associations for an investor perspective on sustainability initiatives and reporting.
- Public policy engagement on corporate regulations and standards to create sector- and economy-wide change.

- Participating in multi-stakeholder initiatives to find practical solutions to sustainability problems.

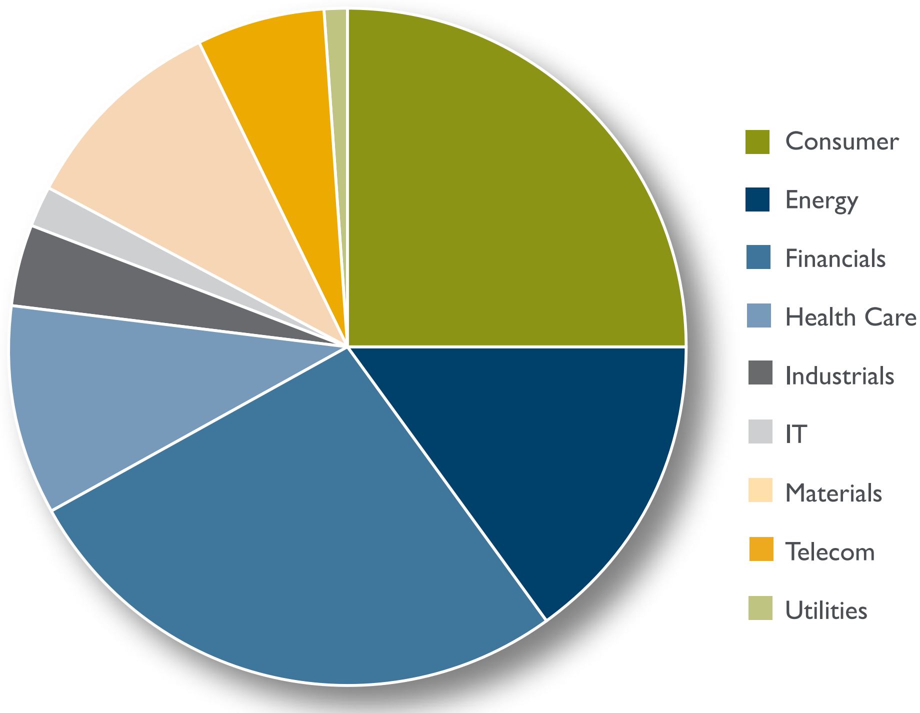
The centrepiece of our corporate engagement strategy is the Focus List – an annual program of targeted, in-depth dialogues on specific ESG topics. Focus List companies include sector leaders capable of breakthroughs in corporate sustainability, sector laggards that need to catch up with the leaders and companies facing major sustainability challenges.

- Extensive reach: a minimum of 50 companies each year.
    - Strategic Dialogues with sector leaders capable of breakthroughs in sustainability practice.
    - Tactical Dialogues launched during the year in response to emerging risks and opportunities.
- Multi-factor selection criteria:
    - Investment exposure – the scale of holdings within our funds.
    - Risk and opportunity exposure – the significance of the ESG issues identified.
    - Impact potential – where our intervention is most likely to result in change.
- Transparency:
    - Focus List published at the start of the year.
    - Quarterly and annual reporting on progress.

2016 Focus List Dialogues – Results

Focus List Strategic Dialogues	84
Dialogue Goal Achieved	8
Dialogue Progressing Toward Goal	41
Neutral Dialogue Response	35
Unsatisfactory Dialogue Response	-
Holding Sold by Portfolio Manager	10
Divestments	-

Figure 1: Engagement by Sector



In 2016 we engaged 84 companies in dialogue on ESG issues, focusing on the following themes:

- Getting Real About the Energy Transition: engaging companies on both supply and demand sides of the energy equation on strategy for a low-carbon future.
- Responsibility to Respect: implementing due diligence processes consistent with the UN Guiding Principles on Business and Human Rights, including supply chain labour issues.
- Food from Farm to Fork: sustainable food production, including access to nutrition, agricultural workers' rights and animal welfare.
- Making Pharma Better: pharma business ethics, including access to medicine.
- Governance Matters: good governance issues, including compensation, board diversity, tax responsibility and cybersecurity.

See Appendix A for a company-by-company report on dialogue progress.

If necessary, we file shareholder proposals to advance our dialogues with companies. Details of the shareholder proposals we filed in 2016 can be found at:
http://www.neiinvestments.com/pages/about-nei/about-ethical-funds/esg-difference/shareholder-resolutions/

Oil and Gas

The transition to a low-carbon economy continued to be a focus for dialogue with energy companies in 2016, in particular the oil and gas industry. Market conditions in 2016 showed how sensitive industry profitability can be to shifts in supply and demand, and the industry continued to experience the project deferrals and layoffs that began in 2015. These and other challenges underscore the risks faced by the sector — even in the early stages of the energy transition — and justified our continued emphasis on this issue. Our dialogue continued to focus on innovating to reduce the impact of oil and gas operations and on strategies to ensure corporate resilience during the transition to a low-carbon economy.

Our shareholder proposal asking Suncor Energy to explain its strategy for low-carbon resilience received over 98% support at the 2016 AGM, due largely to the precedent-setting support of company management. As well, the company announced that it had set GHG reduction targets for its operations — a long-time request in our engagement with the company. Ongoing dialogue with Suncor in 2016 largely focused on how the company was implementing the commitments laid out in the proposal. We continued to make progress on the issue of low-carbon resiliency reporting with other companies and met several times with both Cenovus Energy and Canadian Natural Resources (CNRL) to discuss the issue. Cenovus agreed to report on its resilience, though chose to voluntarily commit to the reporting without taking the vote to shareholders. The company did, however, commit to publicly stating its intentions to provide low-carbon resiliency reporting in its 2017 proxy circular. These results have set the bar for the industry and will be the basis for pushing other companies to follow suit.

At CNRL, our request to consider low-carbon reporting was brought to senior management and the board but has not resulted in any commitments as of yet.

We co-filed two shareholder proposals with U.S.-based oil and gas companies in 2016. We co-filed with Chevron Energy, asking the company to perform two degree scenario planning, and with Occidental Petroleum, asking the company to report publicly on its climate change lobbying activities.

We continued our dialogue with energy service companies Parkland Corporation, Gibson Energy, Secure Energy Services and Mullen Group about improving their ESG disclosure and diversifying their business models. Some have improved their ESG disclosure since our dialogues began, citing our influence as a key driver. We continue to engage management at these companies on the importance of addressing key risks associated with climate change and encouraged them to track developments related to the Financial Stability Board's Task Force on Climate-Related Disclosure. Overall disclosure from the energy services sector on climate risks continues to lag other sectors and will be an ongoing focus in 2017.

We met with Pembina Pipeline Corporation in 2016 to encourage the company to improve its disclosure, including providing specific information on GHG emissions and mitigation strategies. We were pleased to see that the company was actively working to improve.

We discussed the Canadian Association of Petroleum Producers' (CAPP) paper on the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) with Suncor, Cenovus and CNRL. We noted that the document expressed qualified support for free, prior and informed consent (FPIC) — a concept the organization had not previously expressed support for. All three companies were heavily involved in the working committee that drafted the paper and expressed their satisfaction with the outcome. We also raised the topic of developing a stand-alone FPIC policy at each of the companies, with both Suncor and Cenovus stating they would consider the possibility. As well, we noted the work of Suncor to use reconciliation as a framework for its relationships with First Nations communities and its efforts to educate employees on the importance of reconciliation.

While several companies made significant improvements in their board diversity policies or performance in 2016, we continue to be concerned by the overall lack of diversity in the oil and gas industry. Oil and gas sector company boards are among the least diverse in Canada. Yet research has shown a positive correlation between board diversity (including gender and other aspects of identity) on the board and financial performance. As well, oil and gas companies face increasingly complex challenges – from social licence issues to climate change regulations – that demand the addition of new areas of expertise within the board skills matrix. In 2016, we continued dialogues on diversity with Mullen Group, Gibson Energy, Ensign Energy Services and Chinook Energy. Several companies have committed to substantive efforts to increase the diversity of their boards but we continue to see a disconcerting perspective on meritocracy by too many industry players.

We wrote to the boards of Suncor Energy, Mullen Group, Gibson Energy, Chinook Energy and Ensign Energy to provide feedback on their executive compensation frameworks and other key corporate governance issues. In particular, we continued to provide feedback on the effectiveness of company efforts to link ESG performance to executive compensation.

We continue to see improvement in how companies integrate ESG metrics as performance criteria in executive compensation packages. Notably, several companies that we have engaged now have increasingly robust links to ESG metrics compared to peers. However, we continue to push companies to improve their disclosure on the exact metrics used and to increase the impact of ESG metrics on actual pay outcomes.

Both Ensign Energy and Gibson Energy implemented a say-on-pay vote for the first time at their 2016 AGMs. This had been an ongoing request in our dialogue with the board at both companies and provides further momentum for adoption of say-on-pay at other Canadian companies.

Materials

Our overall portfolio exposure to mining in 2016 was very low and impacted the degree of engagement. However, we did continue several ongoing dialogues with key companies.

In early 2016, we met with Goldcorp to follow up on earlier engagements related to human rights due diligence reporting and water policy implementation. The company had performed a follow-up to its human rights impact assessment at its Marlin Mine in Guatemala — an earlier request to the company in our dialogue — and indicated that it was planning to report publicly on the results of its update.

We provided our perspective on key material issues at Teck's Community of Interest stakeholder panel, noting the importance of Aboriginal engagement, water risk management and climate change strategy. As well, we were pleased to see that the company had responded to our earlier request to include human rights as a key material issue and noted our support for this at the stakeholder panel.

Outside the mining sector, we wrote to the board of Stella Jones to encourage the adoption of stronger links between ESG performance and executive compensation, and to commend the company for improved carbon-related disclosure. We wrote to the board of Potash Corporation to explain our support for the shareholder proposal filed at its 2016 AGM on reporting its human rights due diligence process and performance in Western Sahara. We had raised the same issue with Agrium in 2015, and were pleased to see the company publicly disclose a human rights impact assessment of its decision to source phosphate from the Western Sahara in 2016. Potash responded to our letter and offered to facilitate a meeting with its phosphate supplier in Western Sahara. However, the dialogue was put on hold as a result of merger discussions between Agrium and Potash.

We met with Winpak management to tour its facilities in Manitoba and understand better its innovation and product stewardship activities, from recycling in its manufacturing facility to reducing the lifecycle impacts of its products. We also raised the issue of reporting on its GHG emissions and mitigation strategies.

Healthcare

Pharmaceutical companies that acknowledge their responsibility to all stakeholders — including patients and shareholders — have great potential to create value while contributing to the achievement of the Sustainable Development Goals on health. But the social and financial consequences of predatory drug pricing, poor governance and corruption continued to make headlines in 2016, illustrated by the dramatic rise and fall of Valeant. Investors have an important role to play in creating an enabling environment for companies to operate sustainably.

We led a collaborative dialogue with Johnson & Johnson on ethical business practice and product safety concerns, and the company asked us to participate in its stakeholder survey. We also took a lead role in the global collaboration in support of the Access to Medicine Index, which evaluates companies on their contribution to healthcare in developing countries, engaging GlaxoSmithKline, Johnson & Johnson, Novartis, Novo Nordisk, Sanofi and Pfizer to cooperate fully with research for the index and urging Roche to reconsider its decision to drop out of the process based on reduced alignment with its drug portfolio. Through the ICCR initiative to engage the pharmaceutical industry on the UN Sustainable Development Goals, we followed up with GlaxoSmithKline, Johnson & Johnson, Pfizer and Roche on how they are actively aligning business strategy with the goal "attain healthy lives for all at all ages." We also participated in engagement at Johnson & Johnson, Novo Nordisk, Roche and Sanofi on take-back programs for unused pharmaceuticals, which can pose risk to people and the environment if they are disposed of improperly; as well as on drug pricing at Johnson & Johnson, Roche and Pfizer. We led a new engagement at Thermo Fisher on ESG risks and opportunities and disclosure enhancement, as part of collaboration with partners in the Environmental Leaders strategy.

IT & Telecommunications

As well as being significant users of energy, technology companies can play a role in helping companies and individuals reduce their emissions, and could benefit from progressive climate policy. However, taking leadership on climate change can be controversial, and in late 2016 Telus was attacked on social media for endorsing the Federal price on carbon, with some activists calling for a boycott. As well as expressing support for the company's position, we met with Rogers and BCE to discuss how these kinds of social media controversies were handled so that legitimate efforts by the telecoms companies to compete for customers remained consistent with corporate values. All three companies expressed continuing commitment to sustainability.

In the context of our participation in the new PRI cybersecurity advisory committee, we wrote to Verizon on behalf of the group to communicate concerns about cyber security due diligence in the Yahoo acquisition in light of a massive accounts security breach. We provided feedback to Rogers on its CSR report, through which it responded to several earlier requests, including increased focus on data privacy and security.

We continued dialogue with IT company Mitel to address high-priority corporate governance concerns including ESG disclosure, board diversity, compensation and anti-corruption systems in the context of international expansion. The company adopted say-on-pay and was working to enhance its director nomination processes. We also asked CGI, which has a dual-class share structure, to consider governance actions that would demonstrate its commitment to the interests of subordinate shareholders. We continued to engage with sector leaders BCE and Telus on governance and pay issues, including equitable compensation. Telus implemented our suggestion to frame diversity objectives in a gender-neutral way. Our dialogue with Manitoba Telecom came to a conclusion when the company was acquired by BCE, but at the final AGM we were able to support all items on the proxy ballot, recognizing the company's significant progress, especially in its approach to compensation.

Consumer Products & Retail

In the Consumer sectors, we continued to focus on mitigating risks associated with global supply chains, as Canadian companies have lagged international peers in disclosure on supply chain standards and performance.

For several years, we have been encouraging Canadian Tire to provide more robust and timely disclosure on responsible sourcing and business sustainability activities, as we believe the company has a compelling story to tell in this area. Canadian Tire responded to a suggestion that it should engage proactively with investors on ESG issues, and we convened a collaborative engagement with the company on supply chain by Canadian institutional investors. In late 2016, Canadian Tire released an online sustainability report with new ethical sourcing disclosures, and the investors involved in the engagement were invited to share perspectives on ESG disclosure at the Retail Council of Canada.

We continued to lead ICCR's collaborative engagement with Coca-Cola on nutrition issues, exploring how the company strategy will evolve in the face of declining soda sales, evolving consumer preferences and obesity concerns. We discussed research and development on product innovation and encouraged the company to provide more information to investors in this area. The company has improved transparency on funding of nutrition-related scientific research. We encouraged the company to provide more information on product reformulation and responsible marketing policies worldwide. Separately, we met with Coca-Cola to discuss board independence and the level and equity of the CEO's pay. Expanding the scope of our dialogue on challenges to the soda industry, we also participated in nutrition dialogues with Dr. Pepper Snapple and Pepsico.

We are an investor supporter of the Access to Nutrition Index and joined engagement with Campbell Soup, Coca-Cola, Danone, General Mills, Kellogg, Nestlé and Pepsico in relation to the initiative, as well as taking a leadership role within the investor collaboration.

We continued to engage Loblaw, Empire (Sobeys) and Metro on a range of food sustainability issues. Loblaw and Metro have enhanced their disclosure, reporting on progress against strategic targets. Following earlier climate engagement, we were pleased to see that Loblaw's public commitments include plans to reduce GHG emissions by 30% by 2030. We wrote to Loblaw and Metro on behalf of a PRI collaboration to open engagement on labour and human rights in the agricultural supply chain. Metro released a new purchasing policy supporting local agriculture.

Loblaw was included for the first time in the Business Benchmark for Farm Animal Welfare, and we joined a collaboration writing to the company on the treatment of animals in the retail supply chain. The collaboration also wrote to McDonald's, Nestlé, Restaurant Brands (Tim Horton), Unilever and Yum! Brands.

We reached out to a number of smaller retailers to provide background on responsible investing developments. This led to productive dialogue with Leon's and Lassonde on emerging ESG expectations.

Industrials

We met with Caterpillar in 2016 to discuss its human rights due diligence process and learn more about its progress in implementing its sustainability strategy. We had previously requested that the company consider developing a human rights policy in order to provide assurance to investors that it was mitigating key risks related to human rights. The company has now implemented a human rights policy and is actively working to provide training to employees on its implementation.

We wrote to the board of Lumenpulse to encourage it to increase the relevance of ESG-related metrics to executive compensation and to consider developing a more formal diversity policy. We met with the company to discuss the letter and were pleased to see that the board had discussed our earlier recommendation that it explore how it could include vertical metrics for executive compensation comparisons and was considering further options in this regard.

We are working with our sub-advisor Impax Asset Management, along with U.S. colleague PAX World, to engage many of the industrial companies in our Environmental Leaders fund. Key topics include diversity, governance and carbon-related disclosure. In 2016 we engaged with Murata, Horiba, East Japan Railway, WestRock and Kemira.

Financials

Financial companies impact climate outcomes through their investing and lending decisions, as well as the direct impact of their operations. In 2016, we updated our research on how each of the major Canadian banks was responding to the challenge of the energy transition. In our analysis, TD Bank and RBC had the most advanced transition strategies, including relatively lower exposure to the energy sector and strong positions on climate policy.

The role of lenders became a focus in the controversy over the routing of the Dakota Access Pipeline in the U.S., creating reputational risk for the banks involved. We wrote to all the banks in the project's lending consortium, including ING Bank, Mizuho Bank, TD Bank and Wells Fargo, to encourage transparency about a human rights assessment commissioned by members of the group, and participated in a meeting with TD to discuss the potential for the banks to contribute to a resolution through engagement with communities and project proponents.

We continued to engage with financial companies in our holdings on the elimination of investment in cluster munitions. We wrote to institutions that had been highlighted by civil society campaigners as continuing to have some connection with cluster munitions manufacturers through lending or investment, including Allianz, RBC, CI Financial, DBS, JPMorgan Chase, Manulife, Prudential and Sun Life, and had follow-up discussions with several of the companies. Manulife subsequently announced a new cluster munitions exclusion policy.

In the context of our continuing participation in the PRI taskforce on responsible corporate tax, we organized a collaborative discussion on emerging investor expectations on tax disclosure and practice with TD, RBC and BMO.

We wrote to the boards of TD, RBC, Scotiabank, BMO and CIBC to provide proxy feedback about the social sustainability of executive pay and the implications for income inequality and the licence to operate of the financial sector, particularly in the context of emerging populist political movements. Despite some concerns about pay, we were able to support all items on the proxy at Scotiabank and TD. Continuing our effort to combat guaranteed bonuses, we pressed for more detail on the circumstances under which performance-related awards could be reduced to zero at TD, BMO, Scotiabank and CIBC. The financial sector is a strong performer with respect to board diversity, and the banks set the pace in disclosure under the new diversity requirements. TD Bank responded to earlier engagement by publishing a board diversity target, while BMO published a gender-neutral diversity target.

For several years we have participated through ICCR in collaborative engagement with U.S. banks on business ethics. Wells Fargo has been less responsive to this dialogue than its peers. In fall 2016, the bank became embroiled in scandal relating to illegal cross-selling activities and the unauthorized opening of accounts. We wrote to the board and participated in meetings with the bank, urging public disclosure of how it would respond to shareholder concerns: specifically, separation of Chair and CEO roles; clawback of executive pay unjustly awarded based on cross-selling targets; the linkage of pay to ethical performance; and undertaking an ethics review. The bank replaced its CEO, appointed an independent chair and announced clawbacks, but did not commit to a substantive ethics review. As a result, we co-filed a shareholder proposal calling for a review of business ethics that would go to a vote at the 2017 AGM.

Utilities

Utilities have a central role to play in the energy transition, as success in meeting the commitments outlined in the Paris Agreement will hinge on the ability of the power sector to dramatically lower its carbon intensity. From increasing the role of renewables and effectively integrating them into the grid to engaging in demand-side management programs, utilities face both opportunities and risks as governments actively incentivize a transition in the sector. In 2016, we met with ATCO/Canadian Utilities and AltaGas to discuss company energy transition plans and to understand their positions with respect to Alberta's plans to phase out coal-fired electricity in the province. In particular, we discussed company plans to exploit opportunities in the field of renewables and energy efficiency and were pleased to see that both companies are actively assessing opportunities in this space. We also discussed both companies' strengths with respect to Aboriginal engagement and our belief that ongoing excellence in building relationships with Aboriginal communities will be a key advantage for companies in the energy transition.

At ATCO/Canadian Utilities' request, we provided feedback on its sustainability reporting, highlighting our interest in energy transition-related disclosures, public policy positions and lobbying, and Aboriginal engagement policies and performance. We have been engaging ATCO on its sustainability reporting for several years and are pleased to see the significant improvement in its corporate reporting over that time. We also supported its efforts to align the release of its sustainability report with its annual financial reports.

Power of the Proxy

During the 2016 season, our in-house analysts voted close to 7,100 proxy items at over 600 company meetings. Voting for all investment products, including both Ethical Funds and Northwest Funds, is undertaken by ESG Services according to a single comprehensive set of voting guidelines, which promote environmental, social and corporate governance good practices. Our Proxy Voting Guidelines were updated in early 2016. Our in-house proxy team meets weekly during the voting season to discuss and decide on the more complex agenda items. Our Proxy Voting Activity Report details how proxies were voted for each company in the funds, and why. Ethical Funds was the first mutual fund family in Canada to disclose its proxy voting guidelines and activities, long before this was made compulsory.

2016 Proxy Voting Activity Report

Total Number of Meetings	604
Number of Proxy Items Voted	7,074
Votes Against Management	41%
Votes Against Compensation at North American companies	87%

Feedback on Proxy

We continue to write to corporate boards to provide feedback on our proxy voting on a range of corporate governance issues. Voting against proposals put forward by management is only meaningful if companies understand why. We targeted 17 companies to which our funds had significant exposure, or where we were a significant shareholder. These letters generated a positive response from many companies, often leading to follow-up meetings.

Many Canadian companies have adopted say-on-pay, the practice of offering shareholders a non-binding vote on the executive compensation packages of the CEO and senior executives. We support well-structured and clearly disclosed compensation packages that do not represent an excessive quantum of pay and tie bonuses to performance on key indicators of long-term sustainable value. Although many companies have shown progress in adopting better compensation practices, once again during the 2016 season we were obliged to vote against the vast majority of compensation plans that were subject to an advisory vote in North American markets. Key issues raised in our feedback included the linkage of compensation to strategic ESG indicators of long-term performance, excessive use of discretion in setting pay, our preference for performance-based alternatives to stock options and strategies to avoid excessive and inequitable quantum of pay.

Beyond compensation, our feedback focused on board independence, diversity of identity and expertise among board directors, and director capacity to meet the increasing expectations of stakeholders. We also explained the rationale for our votes for or against a range of shareholder proposals.

Companies tell us that relatively few investment institutions are providing proxy feedback, so we encourage more investors to adopt this investment stewardship practice.

Public Policy

Raising the Bar: Policy, Regulation and Standard Setting

NEI often participates in consultation processes on policy and standards relating to corporate social responsibility. We also work to enhance securities regulation and protect shareholder rights so that we can engage companies more effectively. Our policy submissions can be found on our website at: https://www.neiinvestments.com/pages/about-nei/about-ethical-funds/esg-difference/public-policy-and-standards/

Successful policy engagement is contingent on having a receptive audience that is open to input. However, even a receptive audience won't contemplate our input unless the ideas we bring to the table are well researched and clearly articulated. Our access to key decision makers is a sign that our approach is working. During 2016, we attended in-person meetings with the following decision makers: Federal Minister of Environment and Climate Change; Alberta Minister of Environment and Minister Responsible for the Climate Change Office; Alberta President of Treasury Board and Minister of Finance; Alberta Minister of Service Alberta and Minister of Status of Women; Ontario Minister of the Environment and Climate Change; Environmental Commissioner of Ontario; senior staff at the Financial Sector Policy Branch at Finance Canada; senior staff at the Ontario Ministry of Finance.

Getting Real About the Energy Transition

The energy transition continued to be a key focus of our public policy work in 2016. In particular, we focused on supporting the significant policy announcements made by both Alberta and Canada in 2015, as both governments worked to implement their commitments.

We participated in the federal government's 2016 consultation on Canada's Approach to Climate Change. We explicitly supported the government's identification of climate change as a key policy priority and provided our perspective on how it could best incentivize investors to work towards its climate objectives. We stated our support for effective carbon pricing, enhanced disclosure expectations for industry and increased research and development into critical low-carbon technology development while also acknowledging the near-term requirement to mitigate emissions from the existing energy system. We met with the Federal Environment and Climate Change Minister to reiterate these key points.

We also submitted comments to the government's review of federal environmental assessment processes, highlighting as a key concern the need to incorporate a strategic assessment of climate change impacts and benefits into the environmental assessment process. We also stated our support for incorporating regional strategic environmental assessments into project-level assessments as a way of managing cumulative impacts and increasing the efficiency of the assessment process.

We met with the Alberta Minister of Environment and Minister Responsible for the Climate Change Office in the spring of 2016 to discuss our perspective on the province's climate leadership plan, reiterating our support for the province's adoption of carbon pricing and its methane reduction targets. We also raised related issues that we believe would enhance the attraction of the Alberta oil and gas sector to investors, specifically Alberta's shareholder proposal filing rules and diversity disclosure requirements. We later organized a webinar — attended by more than 90 investors —for investors in the fall of 2016 in order to hear from the Minister on the implementation of the Alberta Climate Change Leadership Plan and to show support for the province's commitments.

We submitted comments to British Columbia's Climate Leadership Plan Consultation, urging the province to implement the recommendations of its Climate Leadership Team, notably, increasing the stringency of the provincial carbon pricing regime, aligning with Alberta's methane reduction targets and working with First Nations communities on opportunities in the clean energy sector. We also participated in a business-led letter to the Premier urging her to implement the Climate Leadership Team's recommendations on carbon pricing specifically.

We took part in the Financial Security Board's Task Force on Climate-Related Financial Disclosures (FSB Task Force) Phase II consultation. We provided our perspective on the most material climate-related information and stated our support for the use of low-carbon scenario analysis for high-impact sectors. While supporting the goal of creating decision-useful carbon metrics, we cautioned the Task Force on the use of carbon "footprinting" for investors as an overly simplistic tool that could have unintended consequences. The Task Force and its recommendations mark a key turning point in the effort to drive effective disclosure on climate-related risks and will likely influence regulators and investors around the globe. The Task Force released is draft recommendations in December 2016 and we were pleased to see many of our recommendations reflected.

We wrote to the Ontario Securities Commission in response to a request for feedback on its Statement of Priorities for 2017, urging the OSC to prioritize review of issuer disclosure on climate-related risks, noting the FSB's Task-Force on Climate-Related Disclosure as a possible template to consider. We also provided feedback on IPIECA's framework for oil and gas companies on climate-related disclosure. We noted the importance of disclosure on low-carbon scenario analysis and climate-related lobbying and public policy support in particular.

We provided comments to the Chartered Professional Accountants of Canada's Climate Change Briefing – Questions for Directors to Ask. We commended CPA Canada for the initiative and noted the scope of proposed questions was comprehensive. We offered suggestions on how to create a more manageable set of questions by focusing on the most material issues.

We met with the Canadian Association of Petroleum Producers about its discussion document on the UN Declaration on the Rights of Indigenous Peoples (UNDRIP). We were pleased to see the document acknowledge the importance of FPIC, as this had been a topic of discussion with CAPP and its members for several years. We were also supportive of CAPP's proactive consultation with

Indigenous groups and encouraged the organization to continue reaching out to stakeholders in a proactive manner. The organization appears to have significantly shifted its perspective on the topics of FPIC and UNDRIP and it appears that the broader membership is supportive of this shift.

We led or took part in multiple collaborative efforts in regard to climate-related policy advocacy in 2016. We were one of five lead signatories to an investor statement (representing over $3.3 trillion in AUM) in support of methane reduction goals set by the U.S. and Canada. We subsequently co-authored an op-ed supporting the U.S. and Canadian commitments to reduce methane emissions. We joined a multi-stakeholder submission to Ontario supporting the implementation of its cap and trade carbon pricing system through Bill 172. We signed an investor letter (USD $13 trillion AUM) to the leaders of the G20, urging them to quickly ratify the Paris Agreement, support efforts to increase disclosure on climate-related risks and greatly increase investment into low-carbon solutions. We signed a letter led by Smart Prosperity to the Prime Minister of Canada and Premiers of each province, urging them to collaborate on a pan-Canadian climate strategy. We were part of a multi-stakeholder group supporting the Clean Growth Century statement that urged Canada's Premiers to work towards greening the electricity grid, creating cleaner transportation options, putting a price on carbon and ensuring a just transition for workers.

We signed an investor letter addressed to the U.S. Environmental Protection Agency and the U.S. Department of Transportation, urging them to maintain the previously established vehicle efficiency standards for 2022-2025 model cars. With the new U.S. administration poised to repeal numerous climate-related regulations and legislation, we anticipate that similar U.S.-focused policy advocacy will be a focus area for 2017.

We signed an investor statement addressed to the members of the Arctic Council, urging them to place a moratorium on all hydrocarbon exploration activities in the Arctic high seas, to incorporate a strategic assessment of national climate change mitigation commitments before issuing permits in other areas of the Arctic and to ensure that adequate oil-spill prevention and clean-up mechanisms are in place for all existing or proposed development.

Responsibility to Respect Human Rights

We participated in the consultation on the draft Initiative for Responsible Mining Assurance (IRMA) Standard for Responsible Mining (v.2.0). We stated our support for the concept of a certification scheme for mining operations and highlighted the requirements of community engagement and FPIC as particularly material. However, we also urged the Steering Committee to ensure that the standard was accessible to enough mining companies to be practical as a standard. We noted our concern that creating too high a bar would result in limited adoption in the industry, which would defeat the purpose of creating the standard. Specifically, we proposed a materiality approach to identify the key performance areas that companies must prioritize in order to be certified.

In support of our work on supply chain issues, we were a signatory to a letter to the Government of Turkmenistan, signed by 57 companies, human rights NGOs, industry associations, investors and trade unions, addressing concerns about the obligatory mass mobilization of citizens for the annual cotton harvest. We also supported the PRI Statement of Investor Expectations on Labour Practices in Agricultural Supply Chains, calling for supplier codes of conduct, governance and board oversight, traceability, monitoring and corrective action, and target-setting and disclosure. We joined investors representing USD 4.1 trillion in a statement organized by ICCR on the need for enhanced efforts on factory safety in Bangladesh, in the context of the deadly fire at a Tampaco Foils factory, which supplies packaging for multinational companies.

Governance Matters

Up to now, Alberta has lagged on some aspects of corporate governance and shareholder rights. We joined a meeting with Alberta government ministers to share our perspective on possible corporate governance enhancements relating to diversity disclosure and the right to file shareholder proposals. We followed up on earlier meetings with ministers by responding to the Alberta government's consultation on whether to join other provinces in adopting diversity disclosure requirements. In our submission, we outlined why we believed board diversity of identity and experience could help energy companies to navigate an increasingly complex operating environment. Alberta later announced that it would be joining the disclosure regime. We also presented at governance workshops for issuers organized by TSX and the Alberta and BC Securities Commissions, providing insight into our proxy voting practices, including how lack of board diversity affects our vote decisions.

We participated in a further stage of consultation on the reform of the Ontario Business Corporations Act (OBCA). We welcomed the recommendation to facilitate re-submission of shareholder proposals that have achieved a minimum level of support, which was one of our earlier suggestions, but urged adoption of majority voting for individual directors on an annual basis, say-on-pay and diversity disclosure requirements.

In the context of our involvement in the PRI Advisory Committee on Cyber Security, we participated in the Federal consultation on this topic, explaining why investors increasingly perceive data breaches as a material financial and reputational risk. We also provided input to the International Corporate Governance Network (ICGN) on updating its guidance on political contributions and lobbying.

Enabling Responsible Investing

We submitted comments to ICGN on its draft Stewardship Code, putting forward a definition of investor stewardship that embraced integration of ESG risks, consideration of systemic risks and respect for absolute values such as human rights. We also provided input to ICGN on its diversity guidance documents. We provided feedback to the Organization for Economic Co-operation and Development (OECD) on its consultation paper on responsible business conduct expectations for investors.

In Canada, we submitted comments to the Department of Finance on the Federal Financial Sector Framework Review. Among other recommendations, we encouraged the government to integrate responsible investing into the scope of the review, to consider the implications of the transition to a low-carbon economy, including taking into account the outcomes of the Financial Stability Board climate disclosure project, and to consider the importance of actions that strengthen the social licence of the financial sector. Prior to making the submission, we hosted a meeting for Finance to collect input directly from members of the Responsible Investment Association (RIA) and the Canadian Coalition for Good Governance (CCGG). We also made a submission to the review of the Canadian Environmental Protection Act (CEPA), with suggestions on how Federal environmental inventories could be made more accessible for investor decision-making purposes, noting that this could incentivise enhanced environmental performance by companies.

Disclosure

Enhancing the quality of corporate ESG disclosure is essential for our evaluations and research work, and therefore forms an important topic for our corporate engagement and policy activities. It was an aspect of dialogue at most companies during the year.

Sustainable Stock Exchanges

One of the most efficient ways for investors to get the ESG data they need is for stock exchanges to mandate ESG disclosure as a listing standard. We continued to participate as a lead investor for the Canadian exchanges in the Sustainable Stock Exchanges collaborative engagement, urging stock exchanges worldwide to adopt listing standards that would require all public companies to disclose on key ESG risks and opportunities. We also provided comments to the World Federation of Exchanges Sustainability Working Group on its voluntary framework for ESG disclosure.

U.S. disclosure requirements

We submitted comments to the U.S. Securities and Exchange Commission's consultation on modernizing disclosure, outlining our perspective on basic ESG disclosure needs that could be articulated as requirements for all companies. We were signatory to a joint letter from members of the PRI tax collaboration highlighting the potential for enhancements in disclosure on tax.

CDP

CDP (formerly the Carbon Disclosure Project), backed by more than 800 institutional investors representing more than USD 100 trillion in AUM, asks the world's largest companies to report annually on the risks associated with climate change, water and deforestation. NEI is an investor signatory to its annual information requests. In 2015, we were the only North American investor on the CDP Oil and Gas Working Group – an effort to develop sector-specific guidance on disclosure for oil and gas companies.

NEI's Disclosure

We pride ourselves on the quality and extent of disclosure on our responsible investing activities. Our Focus List of companies to be targeted for in-depth dialogue is released publicly each year, and quarterly updates on the progress of engagement with each company are provided on our website. We also post policy submissions, detailed proxy voting guidelines, research reports and real-time disclosure of proxy voting activity on our website. This report is an additional measure of transparency and accountability to unit holders.

Collaboration

We collaborate with other investors to undertake corporate engagement and public policy initiatives where it is effective to do so, and where we find allies that add value. We also seek opportunities to provide an investor perspective within multi-stakeholder initiatives to address sustainability issues.

We are active in several Boreal Leadership Council policy groups, including the Regional Strategic Environmental Assessment project team and the FPIC project team. In 2015, the FPIC project team released a report detailing successful approaches to implementing the principle of FPIC when working with indigenous communities. In 2016 it hosted a day-long seminar on the topic attended by industry, Aboriginal communities, government, investors and civil society groups.

During the year, we led, co-led or took a leadership role in a number of collaborative engagement initiatives:

- Initiating Canadian collaboration on supply chain responsibility and board diversity.
- Initiating collaboration with our sub-advisor Impax and peer investor Pax

World to engage companies within the Environmental Leaders strategy.

- We took a lead role in several PRI collaborations:
    - We participated in the Sustainable Stock Exchanges investor working group, co-leading with bcIMC and the Caisse on engagement with TSX and leading on engagement with Aequitas NEO.
    - We participated in the investor taskforce on responsible tax, organizing outreach to Canadian companies on emerging investor expectations.
    - We joined the advisory group on cybersecurity.
    - We took a lead role for Canadian companies within the collaboration in labour standards in the agricultural supply chain.
- We participated in investor groups providing feedback and leadership on engagement relating to the Access to Medicine Index, the Access to Nutrition Index and the Business Benchmark on Farm Animal Welfare.
- We collaborated with SHARE on various activities relating to the advancement of climate policy.
- We co-filed shareholder proposals that were led by the Sisters of St. Francis of Philadelphia (Wells Fargo), Wespath Investment Management and Hermes EOS (Chevron) and the Needmor Fund (Occidental).

NEI also acknowledges the efforts of the peers that led or coordinated collaborative initiatives in which we took part in a less active capacity, and encourages other investment institutions to do the same. Initiatives we joined that were led by others included the following:

- As You Sow's engagement with pharmaceutical companies on drug take-back programs.
- Engagement with food companies, retailers and restaurants coordinated by the Business Benchmark on Animal Welfare.
- Boston Common Assets Management's engagement on eco-efficiency objectives at emissions-intensive companies.
- Mirova's engagement on Arctic oil and gas exploration.
- ICCR collaborations on the business ethics of large U.S. financial institutions, advancing the UN Sustainable Development Goals at pharmaceutical companies, science-based emissions reduction targets and nutrition.

Arctic oil and gas

- We participated in an investor collaboration led by Mirova that focused on oil and gas companies operating in the arctic. Key topics included company plans to address the risk of spills in ice-covered waters and the risk of Arctic assets being "stranded" in a low-carbon environment. Companies engaged include Total, Royal Dutch Shell, Exxon, Eni and Statoil.

Climate lobbying

- We were a lead investor in a PRI-organized collaboration on climate lobbying. The collaboration focused on oil and gas industry companies and their public lobbying and positions on climate change-related policy. We lead engagements with Suncor, Enbridge and CNRL.

GHG Footprinting

- We were part of a PRI-organized collaboration on GHG footprinting that sent letters to companies in high-emitting sectors that had not provided GHG emission data to investors asking for enhanced disclosure of GHG emission data. We lead the follow-up engagement with Gibson Energy, Parkland Corporation, Pembina Pipeline Corporation and Stella Jones.

Looking Ahead: Plans for 2017

The Corporate Engagement Focus List 2017 outlines our plans to engage in targeted, in-depth dialogue with a minimum of 50 corporations. We are focusing on the following key issues in company dialogues and public policy activity in 2017: GHG emissions, climate policy and the energy transition; the responsibility to respect human rights; food system sustainability and access to nutrition; corporate responsibility in the pharmaceutical industry; and enhancing corporate governance with special attention to diversity, tax strategy and executive compensation.

Getting Real About the Energy Transition

2017 promises to be an important year in the move from fossil fuel dependency to a low-carbon energy system. The Financial Stability Board Taskforce on Climate-related Disclosure will set new expectations for investors and issuers to communicate their response to the climate challenge. We will be asking companies on the supply and demand sides of the energy equation to articulate how climate change presents risk or opportunity, intensify efforts to reduce emissions and participate constructively in the policy debate. We will further our dialogue with oil and gas companies on their strategies for a low-carbon future and with financial holdings on the sector's role in facilitating the energy transition.

Responsibility to Respect

All companies should implement human rights due diligence consistent with the UN Guiding Principles. We will press extractives companies to apply the principle of FPIC to project development, while in the consumer sector responsible supply chain management and addressing labour rights abuses will remain a key focus. With financial holdings, we will continue to explore human rights concerns in lending and investment. We will build capacity to engage on the emerging issues of cybersecurity and digital rights. Political instability in 2016 provided further impetus for our focus on inequality of income and opportunity as a systemic social and economic risk.

Food from Farm to Fork

Sustainable food production and distribution is fundamental to strong economies. We will continue to explore environmental and social risk in the food supply chain, focusing primarily on access to nutrition and labour rights in the agricultural supply chain.

Making Pharma Better

The health care sector has great potential to contribute to sustainable development, but controversies continue to make headlines and create risk to value. We will focus on pharma ethics, including product safety, access to medicine, drug pricing and governance concerns.

Governance Matters

Strong corporate governance is the foundation for environmental, social and financial outperformance, and we will continue to deliver feedback to companies on a range of issues: urging companies to mitigate financial and reputational risks associated with their tax strategy; highlighting the value of ESG expertise and identity diversity on boards, including representation of women and minorities; and asking for executive pay to be linked to performance on key sustainability issues, and for companies to curb excessive executive compensation and ensure compensation is equitable for all employees. We will also prioritize communicating investor expectations on ESG to smaller, newly-listed and emerging markets companies.

The 2017 Focus List can be found in Appendix B. More details and regular updates on progress can be found on our website. https://www.neiinvestments.com/pages/about-nei/about-ethical-funds/esg-difference/corporate-engagements/

ESG Evaluations

The ESG Services approach to investing incorporates the thesis that companies integrating best ESG practices into strategies and operations will provide higher risk-adjusted returns to shareholders and contribute to the creation of long-term sustainable value for all stakeholders.

To implement this thesis, we focus on a comprehensive set of activities for the NEI Ethical Funds product line-up.

- Our evaluation methodology starts with the identification of sector-specific material ESG risks by our in-house analyst team. Some sectors are inherently more risky than others. Mining companies, for example, face losing access to resources because of effective community opposition. Retail and other consumer companies with branded products face reputational risks associated with sourcing product from sweatshops in developing countries. In the absence of indicators specific to each sector, investors will be blind to material ESG risks.

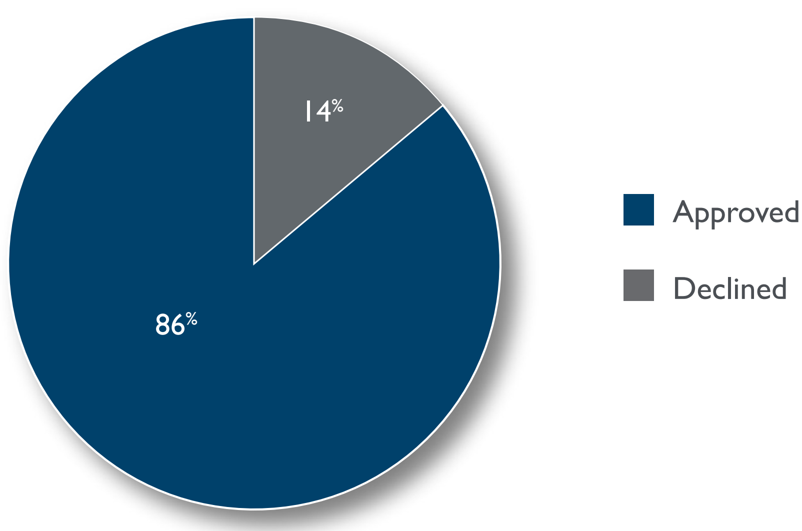
- For each sector, we establish Baseline Expectations — measures that companies in the sector must have in place in order to satisfy us that they are managing material ESG risks appropriately. Companies must meet Baseline Expectations in order to be included in the Ethical Funds portfolio.
- In some cases, ESG issues are new and emerging. In these cases, we conduct research in order to enhance our understanding of the issues and establish an internal position and action plan before communicating with companies. In other cases, we conclude that a regulatory response is required to create corporate change. We then engage policy-makers on appropriate legislation and regulation.

Companies are also reviewed to confirm that they do not trigger one of our automatic exclusions related to tobacco, weapons or nuclear power.

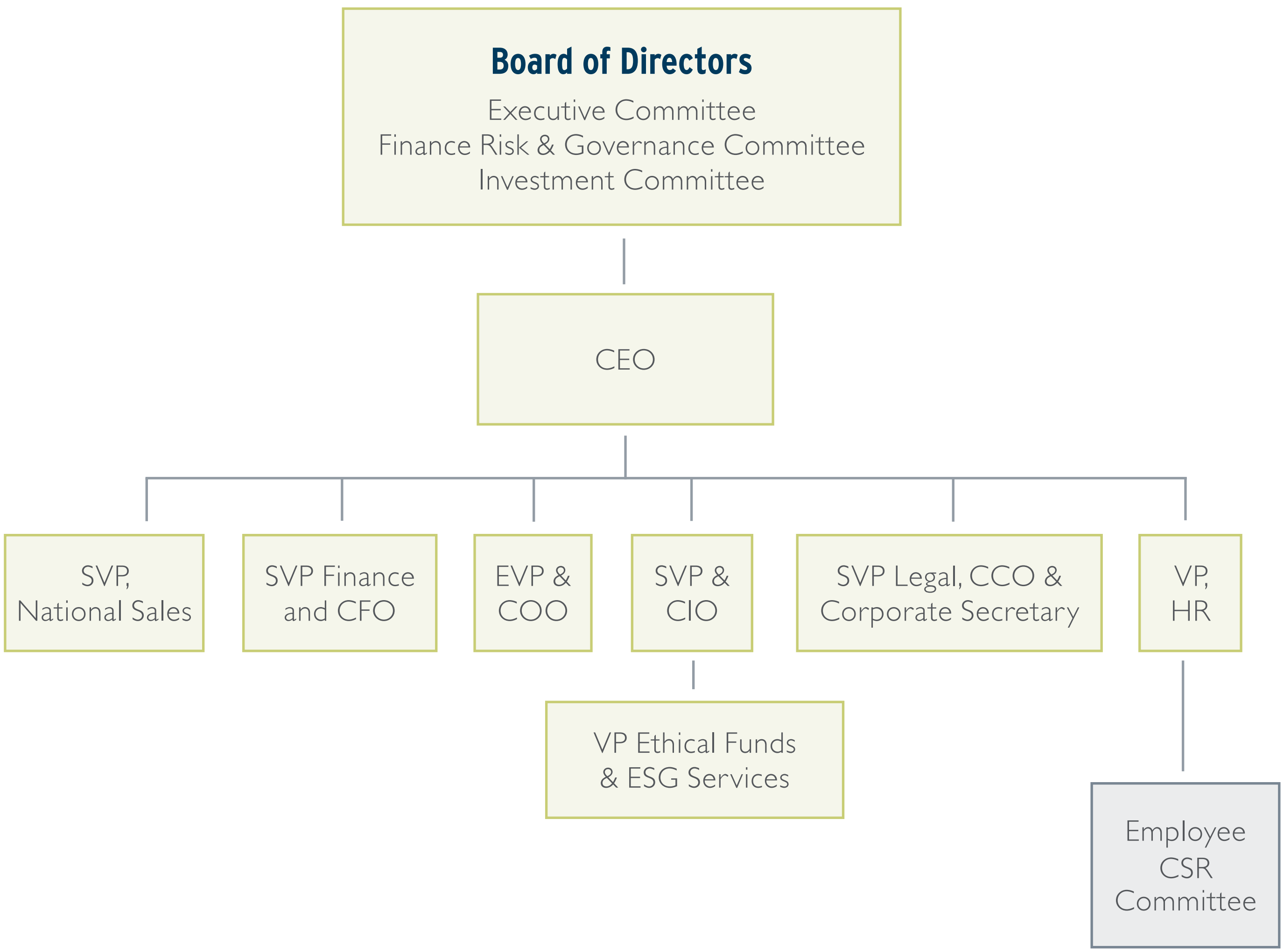
If a company meets our baseline ESG expectations and is purchased for the funds, it is monitored for Headline Risk. As part of this process, the ESG Services Team identifies, evaluates and monitors stories that are published in credible media sources and portray a company in a negative manner. In cases where an incident falls outside the range of issues normally captured by a company evaluation and is not being addressed by our Corporate Engagement Program, a Management Breach Investigation is conducted. We define a Management Breach as a significant transgression of management ethics or a situation indicating a corporate culture that is inconsistent with the concept of sustainability. While a Headline Risk report records and assesses controversial or negative media coverage about a company, the Management Breach process examines the fundamentals of an incident to determine if a company has violated our baseline expectations.

For the reporting period, the ESG Services Team evaluated a total of 265 companies requested by our external portfolio managers for Ethical Funds.

Figure 2: ESG Evaluations Results for Ethical Funds



Organizational Structure



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Appendix A: Corporate Engagement Focus List 2016 Program Results

Company	Company Overview	ESG Issues	Dialogue Update
ENERGY			
CNRL	Canadian Natural Resources Limited (CNRL) is an oil and gas exploration, development and production company with its corporate head office in Calgary, Alberta. www.cnrl.com	• Oil sands • GHG emissions, climate policy and energy transition • Unburnable carbon and stranded assets	We met with CNRL in October 2016 to discuss the company's innovation strategy, with a focus on technologies related to the energy transition. The company saw its role as implementing and field-testing new technologies as opposed to engaging in early-stage technology development, and noted it is one of the largest R&D spenders in Canada. We again raised the topic of low-carbon strategic resilience and alerted the company to the impending release of the Financial Stability Board Task Force on Climate-Related Disclosures recommendations, which we noted would likely form the basis of broad investor expectations for climate-related disclosure.
ExxonMobil	Exxon, headquartered in Houston, Texas, is the world's largest publicly traded oil & gas company. www.exxonmobil.com	• GHG emissions, climate policy and energy transition	Exxon's recent statements in support of carbon pricing have encouraged us to explore the potential for re-engagement with the company. In December 2016 we wrote to Exxon to urge the company to work collaboratively with investors in the 2017 proxy season. Exxon is the recipient of numerous climate-related shareholder resolutions that usually go to a vote, whereas we believe the company could more profitably engage in dialogue that could lead to negotiated withdrawal and ESG performance improvements. . We commended the company for publicly affirming its support for the Paris Agreement but explained why we supported shareholder resolutions on low-carbon resiliency and climate lobbying.
Gibson Energy	Gibson is a North America-focused midstream oil and gas company that provides storage and transportation services. www.gibsons.com	• GHG emissions, climate policy and energy transition • Board diversity • Enhancing ESG disclosure	We met with Gibson Energy in October 2016 to discuss the company's enhanced ESG disclosure. The company planned to continue improving its ESG disclosure and acknowledged the materiality of ESG performance to its business.
Secure Energy	Secure Energy Services Inc. provides fluids and solids solutions to the oil and gas industry. www.secure-energy.com	• GHG emissions, climate policy and energy transition • Board diversity • Enhancing ESG disclosure	In October 2016 Secure Energy Services alerted us to the publication of its first sustainability report. We commended the company for responding to our request for enhanced disclosure.

Suncor	Suncor Energy Inc. is Canada's largest integrated energy company, focused on development of the Athabasca oil sands. www.suncor.com	• Oil sands • GHG emissions, climate policy and energy transition • Unburnable carbon and stranded assets	We met with Suncor in October 2016 to discuss its progress in implementing our climate resilience shareholder proposal. The company indicated it planned to release a report in early 2017, and that the process of developing the disclosure had involved the most senior levels of the company, leading to strategic changes.
UTILITIES			
Canadian Utilities / ATCO	ATCO is an Alberta-based diversified corporation whose businesses include structures and logistics, electricity and pipelines. Canadian Utilities is an ATCO company. www.atco.com www.canadianutilities.com	• GHG emissions, climate policy and energy transition	At the request of Canadian Utilities/ATCO we provided feedback on its biennial Sustainability Report.
MATERIALS			
Agrium	Agrium is a global agricultural products and services company producing and marketing three critical crop nutrients: potash, nitrogen and phosphate. www.agrium.com	• Respecting human rights	The dialogue was paused pending the outcome of the Agrium – Potash merger.
PotashCorp	PotashCorp is a global agricultural products company producing three critical crop nutrients: potash, nitrogen and phosphate. www.potashcorp.com	• Respecting human rights	The dialogue was paused pending the outcome of the Agrium – Potash merger.
Stella-Jones	Stella-Jones is a producer and marketer of pressure treated wood products. www.stella-jones.com	• GHG emissions and climate policy • ESG Disclosure	In November 2016 we wrote to Stella-Jones to commend the company's CDP response improvements and to outline investor demand for further disclosure enhancements.
Teck	Teck is Canada's largest diversified resource company, producing metallurgical coal, copper, zinc and energy. www.teck.com	• ESG disclosure	In October 2016 we were invited to attend the next Teck Communities of Interest stakeholder panel in January 2017. We indicated our interest in attending and completed a sustainability survey to help the company in determining material sustainability topics.

Westrock	Westrock, headquartered in the U.S., is one of the world's largest paper and packaging companies. www.westrock.com	• Energy Transition • ESG disclosure	As part of our collaborative engagement initiative with Environmental Leaders stakeholders, we met with Westrock in December 2016 to discuss the company's ESG disclosure plans, particularly in regard to its GHG emission management systems and strategies. We were pleased that the company was working towards setting science-based targets for GHG emission reductions.
HEALTH CARE			
Johnson & Johnson	Johnson & Johnson is an American multinational medical devices, pharmaceutical and consumer packaged goods manufacturer founded in 1886. www.jnj.com	• Product quality and safety • Drug pricing • Access to Medicine • Sustainable Development Goals • ESG disclosure	In October 2016 we led a collaborative investor dialogue with Johnson & Johnson on ethical business practices, and management of product safety and quality risks. While the company's Credo commits to upholding high quality, we indicated that it was difficult for investors to assess how the commitment was enforced. We asked J&J to consider enhancing its disclosure on product safety and quality enforcement and performance, including processes to respond to high-level safety and quality incidents, and how recurrence was prevented. In December 2016 we participated in an ICCR dialogue with Johnson & Johnson to discuss drug pricing, health reform in the U.S., access to medicine, and implementation of the Sustainable Development Goals. In December 2016 we were asked by Johnson & Johnson to participate in a stakeholder materiality survey, through which we provided our perspective on material issues to inform its sustainability reporting.
Pfizer	Pfizer is a global pharmaceutical company headquartered in the U.S. www.pfizer.com	• Drug pricing • Access to Medicine • ESG disclosure • Sustainable Development Goals	This dialogue was added during 2016 in response to emerging ESG risks and opportunities. In December 2016 we participated in an ICCR dialogue with Pfizer to discuss drug pricing, healthcare reform in the U.S., access to medicine, ESG disclosure and the UN Sustainable Development Goals.
Thermo Fisher Scientific	Thermo Fisher Scientific is a U.S. multinational scientific equipment and services company. www.thermofisher.com	• Enhancing ESG disclosure	In November 2016 we followed up on previous dialogue with Thermo Fisher Scientific on enhancing ESG disclosure, by sharing examples of peer companies with good sustainability disclosure practices.

TELECOM			
BCE	BCE is Canada's largest communications company, offering telecommunications, media and other services under the Bell brands. www.bce.ca	• GHG emissions and climate policy	We wrote to BCE in November 2016 following a social media controversy about a competitor's public support for Federal carbon pricing policy. We urged the company to ensure that its legitimate efforts to compete for customers always remained consistent with corporate commitments to sustainability. In December 2016 we met with BCE to discuss the controversy. We were reassured by BCE's action to brief its social media team to take context into account, its commitment to environmental sustainability and the company's explanation of its social media protocols.
Rogers	Rogers Communications is a diversified Canadian communications and media company that operates in the field of wireless communications, cable television, telephone and internet connectivity www.rogers.com	• GHG emissions and climate policy	We wrote to Rogers in November 2016 following a social media controversy about a competitor's public support for Federal carbon pricing policy. We urged the company to ensure that its legitimate efforts to compete for customers always remained consistent with corporate commitments to sustainability. Later in November 2016 we met with Rogers to discuss the controversy. We were reassured by the swift action of Rogers' social media team and the company's explanation of its social media protocol. We expressed our support for the work of the Rogers sustainability team.
Telus	Telus is a national telecommunications company in Canada that provides a wide range of telecommunications products and services including internet access, voice, entertainment, healthcare, video, and satellite television. www.telus.com	• GHG emissions and climate policy	We wrote to Telus in November 2016 to express support for its public endorsement of the Federal price on carbon, which had become the focus of some controversy on social media. We urged the company to continue to play a leadership role on the climate issue, and expressed our appreciation for the work of the Telus sustainability team. The company responded indicating its continuing commitment to environmental sustainability.
Verizon	Verizon Communications is a global broadband telecommunications company based in the U.S., and the largest U.S. wireless communications service provider. www.verizon.com	• Cyber security governance	In the context of our involvement in the PRI Cyber Security Advisory Committee, on behalf of the group we wrote to Verizon in November 2016 to communicate concerns regarding cyber security due diligence in the acquisition of Yahoo Inc. in light of the recently-announced breach of 500 million Yahoo accounts. We shared our investor perspective on the material financial and social risk that data breaches can represent and noted that investors are increasingly taking cyber security into account in their investment decisions.

CONSUMER			
Canadian Tire	Canadian Tire Corporation, Limited is a general retailer offering everyday products and services through more than 1,700 retail and gasoline outlets across Canada. www.canadiantire.ca	• Sustainable apparel supply chains • Enhancing ESG disclosure	We continued to follow up with Canadian Tire on the company's responsible sourcing disclosures. In September 2016, Canadian Tire released a Sustainability Report that contained ESG information for the 2015-2016 period. The report contained information that was not previously disclosed. Of particular interest was the section on ethical sourcing, which we and other Canadian investors have been asking Canadian Tire for more disclosure on. The company provided new disclosure on source countries, the number of factory audits completed and the types of critical infractions found in these audits. We were encouraged by the company's progress on ESG disclosure during 2016.
Campbell Soup	Campbell Soup Company is an U.S.-based producer of canned soups and related products. www.campbellsoupcompany.com	• Access to nutrition	This dialogue was added during 2016 to respond to emerging risks and opportunities. We participated in an investor collaboration writing to Campbell Soup regarding the company's ranking in the Access to Nutrition Index (ATNI).
Coca-Cola	The Coca-Cola Company is an American multinational beverage corporation and manufacturer, retailer and marketer of non-alcoholic beverage concentrates and syrups. www.coca-cola.com	• Access to nutrition	In October 2016, we co-led an ICCR collaborative engagement meeting with Coca-Cola to discuss nutrition topics, including policy commentary, strategy and governance and responsible marketing initiatives. We encouraged the company to provide more disclosure on innovations in product reformulation and responsible marketing initiatives around the world. In November 2016 we participated in an investor collaboration writing to Coca-Cola regarding the company's ranking in the Access to Nutrition Index (ATNI). Coca-Cola made some progress in 2016 on providing investors with additional information about activities that demonstrated the ability of the company to respond to changing consumer preferences for beverage products. The company also made efforts to become more transparent on funding organisations that contribute to the nutrition policy landscape.
Danone	Danone is a multinational food products corporation based in Paris, France. www.danone.com	• Access to nutrition	This dialogue was added during 2016 in response to emerging ESG risks and opportunities. In November 2016 we participated in an investor collaboration writing to Danone about the company's ranking in the Access to Nutrition Index (ATNI).

Dr. Pepper Snapple	Dr. Pepper Snapple Group is a U.S. multinational soft drink company, based in Texas. www.DrPepperSnappleGroup.com	• Access to nutrition	This dialogue was added during 2016 in response to emerging ESG risks and opportunities. We joined an ICCR collaborative engagement in November 2016, meeting with Dr. Pepper Snapple to discuss the company's nutrition and responsible marketing programs and strategy.
General Mills	General Mills is a multinational manufacturer and marketer of branded consumer foods sold through retail stores, based in the U.S. www.generalmills.com	• Access to nutrition	This dialogue was added during 2016 in response to emerging ESG risks and opportunities. In November 2016we participated inan investor collaboration writing to General Mills about the company's ranking in the Access to Nutrition Index (ATNI).
Lassonde Industries	Lassonde Industries is a Quebec-based food company. www.lassonde.com	• Enhancing ESG disclosure	We met with Lassonde Industries in November 2016 to discuss the company's responsible sourcing practices. We encouraged the company to provide more information about responsible sourcing practices in the public domain. We were encouraged that the company seemed receptive to suggestions on responsible sourcing disclosures that would meet the needs of company stakeholders, including investors.
Leon's	Leon's is a Canadian furniture and appliance retailer. www.leons.ca	• Enhancing ESG disclosure	We corresponded with Leon's to follow-up on discussions about supply chain transparency and to organize the next stage of our dialogue. We were encouraged by the company's receptiveness to further dialogue on the topic of supply chain disclosures.
Loblaw	Loblaw Companies Limited is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services. www.loblaw.ca	• GHG emissions and climate policy • Food waste, animal welfare and access to nutrition • Sustainable apparel supply chains • Enhancing ESG disclosure	We wrote to Loblaw in December 2016 on behalf of a PRI collaboration on labour and human rights issues in agricultural supply chains. The letter was accompanied by an investor statement outlining expectations on specific supply chain disclosures, policies and governance practices investors would like to see companies adopt. We also corresponded with the company to organize the next stage of our next dialogue. We were encouraged by the company's public commitments on sustainability in 2016, including plans to reduce carbon emissions 30% by 2030.
Metro	Metro Inc. is a food retailer operating in the provinces of Quebec and Ontario, based in Montreal. www.metro.ca	• Food waste, animal welfare and access to nutrition • Enhancing ESG disclosure	We collaborated in writing to Metro in December 2016 on behalf of a PRI collaboration on labour and human rights issues in agricultural supply chains. The letter was accompanied by an investor statement outlining expectations on specific supply chain disclosures, policies and governance practices investors would like to see companies adopt. We also corresponded with the company to organize the next stage of our dialogue.

Nestlé	Nestlé is a global nutrition and health company, headquartered in Switzerland. www.nestle.com	• Access to nutrition	This dialogue was added in 2016 in response to emerging ESG risks and opportunities. In November 2016, we participated in an investor collaboration writing to Nestlé regarding the company's ranking in the Access to Nutrition Index (ATNI).
PepsiCo	Pepsico is an American multinational food, snack and beverage corporation. www.pepsico.com	• Access to nutrition	This dialogue was added in 2016 in response to emerging ESG risks and opportunities. In November 2016, we participated in an investor collaboration writing to PepsiCo regarding the company's ranking in the Access to Nutrition Index (ATNI). As part of the collaboration, we met with Pepsico in December 2016 to discuss the ATNI results as well as nutrition governance, strategy and targets.
INDUSTRIAL			
CN Rail	The Canadian National Railway Company, headquartered in Montreal, serves Canada and the Midwestern and Southern United States. www.cn.ca	• ESG disclosure	At the request of the company, we participated in CN Rail's consultation on its sustainability reporting, providing our perspective on the material ESG issues facing the company.
Lumenpulse	Lumenpulse Lighting Inc. manufactures high performance, sustainable LED lighting solutions. www.lumenpulse.com	• Board independence • Enhancing ESG disclosure	In October 2016 we met with Lumenpulse to receive an update on issues we raised in our earlier proxy feedback letter. Our perspectives on equitable pay were an input for executive compensation discussions at Lumenpulse's board and committee meetings in December, and the company wrote to express appreciation for our feedback. The dialogue was paused due to portfolio changes.
FINANCIALS			
ING Group	ING Group is a multinational banking and financial services corporation, headquartered in the Netherlands. www.ing.com	• Respecting human rights	This dialogue was added during 2016 in response to emerging ESG risks and opportunities. In December 2016 we wrote to ING, one of several financial services companies involved in the project finance consortium for the controversial Dakota Access Pipeline, to encourage transparency on the results of a human rights assessment commissioned by members of the consortium. We expressed appreciation for the company's public statements so far on the human rights assessment project.

JP Morgan	JPMorgan Chase & Co. is a leading global financial services firm and one of the largest banking institutions in the United States, with operations worldwide. www.jpmorganchase.com	• Elimination of cluster munitions	In December 2016, JPMorgan responded to our earlier letter on investments in cluster munitions manufacturers, explaining how it assesses ESG risks in investment portfolios. The company indicated that controversial weapons investments are excluded when required by local regulations or requested by clients with segregated mandates.
Mizuho Bank	The Mizuho Financial Group is one of the largest international financial services companies in Japan. www.mizuhobank.com	• Human rights	This dialogue was added during 2016 in response to emerging ESG risks and opportunities. In December 2016 we wrote to Mizuho Bank, one of several financial services companies involved in the project finance consortium for the controversial Dakota Access Pipeline, to encourage transparency on the results of a human rights assessment commissioned by members of the consortium. We expressed appreciation for the company's public statements so far on the human rights assessment project.
Royal Bank of Canada	Royal Bank is Canada's largest company by market capitalization, providing personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. www.rbc.com	• Climate finance	In November 2016, we met with RBC for further discussions on climate finance. The company's financial exposure to high-carbon sectors was relatively limited, and in our analysis it was one of the Canadian leaders on climate change within its sector. We shared insights on the role of finance in the transition to a low-carbon economy. We also commended the company for publicly stating its climate position.
TD Bank	TD Bank Group, headquartered in Toronto with offices around the world, offers a full range of financial products and services. www.td.com	• Climate finance • Equitable compensation • Respecting human rights • ESG disclosure	In October 2016, we met with TD to discuss in detail our earlier proxy voting feedback letter and the company's response. We also highlighted the importance of equitable compensation in the current social and political context. In November 2016, we participated in TD's stakeholder survey to inform its materiality assessment. TD was one of several financial services companies involved in the project finance consortium for the controversial Dakota Access Pipeline. In December 2016 we corresponded with TD and participated in a collaborative engagement meeting to encourage transparency on the results of a human rights assessment commissioned by members of the consortium. We expressed appreciation for the company's public statements so far on the human rights assessment project.

Wells Fargo	Wells Fargo is an American multinational financial services company. www.wellsfargo.com	• Ethical business conduct • Executive compensation • Respecting human rights	In October 2016, following up on earlier collaborative engagement on ethical business conduct at Wells Fargo, and in light of the unauthorized accounts scandal, we wrote to the board urging it to publicly disclose how it would respond to shareholder concerns: specifically, the separation of the Chair and CEO roles; the linkage of the executive pay framework to ethical conduct; the clawback of unwarranted incentive pay; and publication of a business ethics review. We also participated in an ICCR collaborative engagement meeting with representatives of Well Fargo board and management to discuss these issues. In the absence of assurance at that the company would publish the results of a business ethics review we co-filed a shareholder resolution on this topic at Wells Fargo in November 2016. In December 2016, we wrote to the board to express appreciation for the public announcement regarding formal separation of the Chair and CEO roles and a requirement for the chair to be an independent director. We encouraged the company to make further announcements on other issues raised in our letter. In December 2016 we joined a further ICCR meeting with Wells Fargo to discuss shareholder concerns about its executive compensation framework, and the related shareholder resolution. In addition, in December 2016 we wrote to Wells Fargo, one of several financial services companies involved in the project finance consortium for the controversial Dakota Access Pipeline, to encourage transparency on the results of a human rights assessment commissioned by members of the consortium.

Appendix B: Corporate Engagement Focus List 2017

Company	Theme(s)
Energy	
CNRL	Oil sands, GHG emissions, climate policy and energy transition, unburnable carbon and stranded assets
ExxonMobil	GHG emissions, climate policy and energy transition
Gibson Energy	GHG emissions, climate policy and energy transition, board diversity, enhancing ESG disclosure
Secure Energy	GHG emissions, climate policy and energy transition, board diversity, enhancing ESG disclosure
Suncor	Oil sands, GHG emissions, climate policy and energy transition, unburnable carbon and stranded assets
Utilities	
Canadian Utilities / ATCO	GHG emissions, climate policy and energy transition
Materials	
Agrium	Respecting human rights
PotashCorp	Respecting human rights
Stella-Jones	GHG emissions and climate policy, ESG Disclosure
Teck	ESG disclosure
Westrock	Energy Transition, ESG disclosure
Healthcare & Pharmaceuticals	
Johnson & Johnson	Product quality and safety, drug pricing, access to Medicine, sustainable Development, Goals, ESG disclosure
Pfizer	Drug pricing, access to Medicine, ESG disclosure, Sustainable Development Goals
Thermo Fisher Scientific	Enhancing ESG disclosure
Telecom	
BCE	GHG emissions and climate policy
Rogers	GHG emissions and climate policy
Telus	GHG emissions and climate policy
Verizon	Cyber security governance

Company	Theme(s)
Consumer	
Canadian Tire	Sustainable apparel supply chains, enhancing ESG disclosure
Campbell Soup	Access to nutrition
Coca-Cola	Access to nutrition
Danone	Access to nutrition
Dr. Pepper Snapple	Access to nutrition
General Mills	Access to nutrition
Lassonde Industries	Enhancing ESG disclosure
Leon's	Enhancing ESG disclosure
Loblaw	GHG emissions and climate policy, food waste, animal welfare and access to nutrition, sustainable apparel supply chains, enhancing ESG disclosure
Metro	Food waste, animal welfare and access to nutrition, enhancing ESG disclosure
Nestlé	Access to nutrition
PepsiCo	Access to nutrition
Industrial	
CN Rail	ESG disclosure
Lumenpulse	Board independence, enhancing ESG disclosure
Finance	
ING Group	Respecting human rights
JP Morgan	Elimination of cluster munitions
Mizuho Bank	Human rights
Royal Bank of Canada	Climate finance
TD Bank	Climate finance, equitable compensation, respecting human rights, ESG disclosure
Wells Fargo	Ethical business conduct, executive compensation, respecting human rights

Appendix C: Company Index

This report describes the activities undertaken by NEI Investments with respect to its Corporate Social Responsibility and Responsible Investing programs. The report is not intended to be, and is not, investment research, and is not to be relied upon in making investment decisions.

The assigning of a directional arrow indicating the status of a dialogue with a particular corporation is not intended to and does not imply that securities issued by that corporation are a better investment than securities issued by another corporation, whether discussed in this report or not. Funds managed by Northwest & Ethical Investments L.P. may or may not hold securities issued by the corporations discussed in this report.

Funds managed by Northwest & Ethical Investments L.P. will, in making investments in the sector discussed in this report, choose securities that in the view of the managers of the fund making the investment present the best investment opportunity. For a description of how Ethical Funds integrates non-financial indicators into the investment process, please review the Ethical Funds prospectus or visit www.ethicalfunds.com.

Our Report Process

This report has been extracted from our full CSR Report. To read the full CSR report, including the process for creating the report, the reporting boundaries and how the performance data has been calculated, please go to

https://www.neiinvestments.com/pages/about-nei/corporate-social-responsibility/

The Global Reporting Initiative

Application Level GRI Northwest & Ethical Investments L.P Nov 2015 Service

Our full CSR Report complies with the Global Reporting Initiative's framework to a B level, whereas this excerpted report is guided by the Global Reporting Initiative (GRI). The GRI is the world's most widely used sustainability reporting framework. NEI follows the GRI framework in its own reporting and encourages companies in its fund portfolios to follow the framework in their own reporting. We also support the GRI as an Organizational Stakeholder.

Find out more about GRI: www.globalreporting.org

The Principles for Responsible Investment

NEI is an active member of the Principles for Responsible Investment (PRI), an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices.

Find out more about PRI: www.unpri.org