

# Corporate Engagement Focus List 2012 Program Results



Every year on behalf of Ethical Funds investors, the NEI Investments ESG Services team produces a Focus List— a list of companies that we target to encourage the adoption of sustainable and positive environmental, social and governance practices.

Companies listed here as part of our Corporate Engagement Program Report may or may not be held in Ethical Funds at this specific time. To confirm if a company listed is currently held in Ethical Funds please contact your Sales Representative.

## Corporate Engagement Program Focus List

### Engagement Status: Symbol Description

Positive Trend     
 Neutral     
 Negative Trend     
 On Target     
 Divestment

### Energy

Company	Objectives	Status	Activity
BG	<p>Align human rights policy implementation with the UN Guiding Principles on Business and Human Rights</p> <p>Link compensation with ESG performance</p>		<p>BG was added to the 2012 Focus List as an outcome of the Evaluations process. We wrote to the company in June 2012 regarding the implementation of its human rights policy. In particular, we wanted to learn more about the company's efforts to integrate the UN Guiding Principles on Business and Human Rights</p> <p>We met with BG in August 2012 to discuss the implementation of its human rights policy. The meeting left us with the impression that the company has robust human rights due diligence processes in place. In particular, the company has utilized the International Finance Corporation (IFC) Standards as an internal framework, and has aligned its internal policies and programs with the UN Guiding Principles on Business and Human Rights. We will continue to provide feedback to the company on ESG issues in 2013.</p>
Canadian Natural Resources Ltd.	<p>Ensure adequacy of tailings reclamation plans and R&amp;D spending</p> <p>Link compensation with ESG performance</p>		<p>CNRL is working with a consortium of oil sands mining companies to collaborate on tailings technologies. CNRL itself is experimenting with CO2 injection, with good results to date. We will push for more clarity on actual R&amp;D spending.</p> <p>Following communication with the Board, we were encouraged when the 2011 proxy circular identified five distinct environmental and social indicators linked to compensation: well abandonment; pipeline leaks; water usage; health &amp; safety; and GHG emissions intensity. We discussed with the company our preference for disclosure of the actual targets used for these metrics and the performance against those targets. The company adopted our suggestions in the 2012 proxy circular.</p> <p>However, we wrote to the board of directors to indicate that we voted against the compensation package for executives. We asked the company for greater detail on how ESG performance actually impacted</p>

Company	Objectives	Status	Activity
			executive pay. We are currently awaiting a response from the company. In 2013, we will continue to engage the company on oil sands risks and compensation issues.
Cenovus	Acknowledge right of free, prior and informed consent for Indigenous Peoples	↗	<p>Cenovus identifies the strategic importance of innovation and environmental performance. We see opportunity for improvement on social issues and in particular to raise the bar on Aboriginal rights in Alberta. To date, oil sands companies have been hesitant to commit to free, prior and informed consent (FPIC) so there is an opportunity to display leadership.</p> <p>In Fall 2012, we wrote to the board to explain why we had voted against the executive compensation plan at the AGM. In particular, we asked for greater detail on what metrics are considered, the original targets for performance, and how performance actually impacted on executive pay. We will be meeting with the company to discuss these issues.</p> <p>In both November 2011 and October 2012 we participated in the Cenovus sustainability report stakeholder panel. We used the latter opportunity to encourage the company to show leadership across a broader suite of issues. We were also invited to visit the Foster Creek in-situ oil sands project and were able to tour the facility.</p> <p>In 2013, we will continue to engage the company on oil sands risks, innovation and compensation issues.</p>
ConocoPhillips	<p>Seek free, prior and informed consent of Indigenous Peoples</p> <p>Develop a strategic water plan and establish water targets</p> <p>Link compensation with ESG performance</p>	↗	<p>We joined U.S. investor meetings that focused on indigenous rights in global operations. The company is moving forward with a specific Indigenous Peoples policy but there has not been a commitment to FPIC as yet.</p> <p>We met with Calgary management in 2011 to discuss oil sands water issues.</p> <p>We wrote to the Board to express our desire to see compensation explicitly linked to ESG performance, but no response was received. This dialogue is now paused, as the portfolio manager sold the holding.</p>
Crescent Point Energy	Improve ESG disclosure	→	We first met with Crescent Point in 2011 and discussed reclamation funding, water risk and ESG disclosure. While the first two areas seemed to be managed appropriately, the company has not yet disclosed material ESG information to investors and other stakeholders. We had positive discussions with company representatives in January 2012 and will continue to offer input on ESG disclosure enhancements.
Enbridge	<p>Seek free, prior and informed consent from First Nations</p> <p>Link compensation with ESG performance</p>	↘	We have been encouraging Enbridge to obtain free, prior and informed consent (FPIC) for the proposed Northern Gateway Pipeline for several years. Enbridge is now offering ownership stakes in the pipeline, and negotiations with First Nations continue, but several First Nations continue to express strong opposition to the project. As the company was unwilling to change its approach, we filed a shareholder proposal

Company	Objectives	Status	Activity
Encana	<p data-bbox="337 1266 639 1327">Address water risks for hydraulic fracturing operations</p> <p data-bbox="337 1360 639 1419">Link compensation with ESG performance</p>		<p data-bbox="764 244 1471 370">asking Enbridge to address the implications of continuing opposition for the future of the project. We met with company representatives in January 2012 but were unable to reach an agreement. The proposal went to a vote at the company AGM in May, and received 28% support.</p> <p data-bbox="764 413 1471 908">We met with senior management responsible for the Gateway Project in September 2012. We discussed the results of the shareholder proposal filed with the company, and asked the company to respond to the key asks of the proposal. Specifically, the company provided information on how it had assessed the risks facing the project from First Nations opposition, and how it planned to mitigate these risks. The company acknowledged that the risks facing the project from this opposition are significant, and that substantial opposition to the project continues. We conveyed our position that the project will not be able to move ahead without the consent of First Nations along the route, and that we would not support the project moving ahead in future if opposition remains unchanged. We will be meeting with the board of directors in November 2012 to determine the extent to which First Nations approval of the project will be considered in granting final approval to the project. We will consider next steps after this meeting.</p> <p data-bbox="764 951 1471 1212">In Fall 2012 we wrote again to the board to explain our decision to vote against the executive compensation plan at the 2012 AGM, and express our desire to see compensation linked explicitly to ESG performance. We felt this linkage was particularly important in light of the U.S. National Transportation Safety Board's finding that a flawed culture of safety was a factor in the scale of Enbridge's 2010 Michigan spill. The company responded to our letter, and we will continue to explore both compensation and pipeline safety issues.</p> <p data-bbox="764 1266 1471 1628">We provided input on Encana's sustainability report. The company has improved its handling of concerns around hydraulic fracturing operations in North America, stating a preference for baseline water testing and urging suppliers to disclose fluids used in the extraction process, and participated in the CDP Water initiative. It has an evaluation process to identify and minimize toxic chemical use and is involved in a leading-edge project in Horn River, BC where non-potable water is used for fracking operations. The company has since confirmed that it will be making its chemical management system tool available for free to its industry peers in order to encourage broad improvement on chemical handling in the industry.</p> <p data-bbox="764 1671 1471 1897">The company's linkage of compensation to ESG performance is better than most, but there has been little improvement in its disclosure in recent years. However, in 2012 the company did respond to one of our requests by reporting the actual percentage of executive compensation that was linked directly to environmental and social performance. We voted against the compensation plan at the 2012 AGM and wrote the board to explain our rationale.</p> <p data-bbox="764 1940 1471 2010">We met with the company in October 2012 to discuss our concerns around the linkages between ESG performance and executive</p>

Company	Objectives	Status	Activity
			<p>compensation. In particular, we noted that only 3% of the CEO's bonus was explicitly linked to ESG performance. We also asked the company to provide better disclosure on how performance was evaluated and to increase the extent to which the long-term incentive plan is linked to performance. The company has noted our input and we will look for improvements in next year's compensation plan. In 2013 we will also continue to discuss fracking good practice as well as issues surrounding the scale of gas development in northern British Columbia.</p>
Hess Corporation	<p>Disclose results of human rights impact assessments</p> <p>Address water risks in hydraulic fracturing operations</p>	↗	<p>Hess conducts extensive human rights assessment work in risky countries and has recently adopted a new human rights policy. Overall, the company is taking its due diligence obligations seriously but is reluctant to disclose the results of its human rights impact assessments.</p> <p>Hess has made some significant announcements recently in relation to hydraulic fracturing. Its baseline water testing standards exceed regulatory requirements and it is striving for 100% recycling of flowback water in Pennsylvania.</p> <p>We wrote to the board in Fall 2012 to explain why we voted against the executive compensation plan at the 2012 AGM. In particular, we raised concerns about the lack of any substantive links between ESG performance and executive compensation. We are currently awaiting a response.</p>
MEG Energy	<p>Enhance ESG disclosure</p> <p>Link compensation with ESG performance</p>	→	<p>MEG recently became a publicly-traded company and is a new addition to the Focus List for 2012. We had an introductory discussion with company representatives in January 2012. As a pure-play oil sands company, its ESG disclosure could be improved. In particular the company gives no indication that executive compensation is linked to environmental or social performance.</p>
Royal Dutch Shell	<p>Address risks of gas development in Northern BC</p> <p>Address oil sands risks</p> <p>Address human rights risks</p>	→	<p>Shell was added to the 2012 Focus List as an outcome of the Evaluations process.</p> <p>We have been engaging with the company on the topic of support for a regional strategic environmental assessment in the NE BC region to address the cumulative impacts of development in the region. As well, we have been following developments in the lawsuit the company is facing under the Alien Tort Statute in regard to its Nigerian operations. We are concerned that the company's legal strategy is not aligned with its CSR mandate. We will follow up with the company on both issues in 2013.</p>
Statoil	<p>Seek free, prior and informed consent for Aboriginal people impacted by oil sands operations</p> <p>Link compensation with ESG performance</p>	→	<p>The company was a new addition to the 2012 Focus List although we had some engagement with the company during our oil sands benchmarking in 2009. Given the relatively low level of Statoil's exposure to oil sands, its relatively strong performance on addressing oil sands risks, and our level of our exposure to the company, we decided to prioritize engagement efforts with other companies instead.</p>

Company	Objectives	Status	Activity
Suncor Energy	<p>Seek free, prior and informed consent of Aboriginal people impacted by oil sands operations</p> <p>Link compensation with ESG performance</p>	↗	<p>In 2011 we provided feedback on the Suncor sustainability report. In April 2012 we met with the company to provide input on its sustainability agenda.</p> <p>In February 2012 Suncor joined peer companies to launch COSIA, the Canadian Oil Sands Innovation Alliance. COSIA aims to develop collaborative solutions to oil sands environmental challenges. The company continues to show leadership through participation in the Boreal Leadership Council (BLC), but has not committed to free, prior and informed consent (FPIC). However, the company was supportive of the recent BLC report on operationalizing FPIC in a Canadian context.</p> <p>Although we voted against the compensation package at the 2012 AGM, the linkage of compensation to ESG performance in the proxy circular has improved, and disclosure now includes specific indicators and reveals the percentage of pay that depends on environmental performance. But the company still does not disclose the targets against which performance was judged. We wrote to the board in Fall 2012 to explain our concerns with the compensation plan and are waiting for a response.</p> <p>In October 2012 we met with the company to discuss its caribou management plans; the impacts of the proposed Fort Hills project on important wetland ecosystems; and to convey our concerns about the use of end-pit lakes in the company's reclamation plans. We will be following up on these issues with the company in 2013.</p>
Talisman	<p>Address water risks in hydraulic fracturing operations</p> <p>Implement policy on free, prior and informed consent of Indigenous Peoples</p>	↗	<p>Talisman has significantly increased its level of disclosure and commitment to best practices for hydraulic fracturing (fracking) operations. We met with representatives of the company in February 2012 to discuss risks associated with shale gas production. The company has publicly disclosed a set of guiding principles that will govern all of its fracking operations. We see this as a positive step, and will focus future engagement on implementation of the principles, and reporting on compliance. We also discussed the status of the company's Quebec operations, including steps the company could take to secure its social license to operate.</p> <p>Talisman has an industry-leading policy that incorporates the principle of free, prior and informed consent (FPIC). We seek to understand how this policy is being implemented both internationally and in Canada. In May 2012, we met with a delegation of Achuar from Peru to hear their perspective on the implementation of Talisman's FPIC policy. The company has subsequently announced its intention to leave Peru based on economic considerations.</p> <p>We voted against the compensation plan at the 2012 AGM and wrote to the board to explain why. While Talisman has industry leading transparency on the link between ESG performance and executive compensation, we were critical of other aspects of the compensation plan, including the use of discretion and the lack of a claw-back policy.</p>

Company	Objectives	Status	Activity
			In 2013 we will continue discussions on fracking practice, FPIC, and gas development in northern British Columbia, as well as compensation.

**Mining**

Company	Objectives	Status	Activity
Barrick Gold	<p>Disclose results of human rights impact assessments</p> <p>Seek free, prior and informed consent of Indigenous Peoples</p>	↗	<p>We have been engaging Barrick on the need to become more proactive in addressing security-related issues by conducting comprehensive and transparent human rights impact assessments (HRIAs). The company is now moving forward in this area. We met company representatives in February 2012 to discuss the progress of plans to implement an HRIA program across Barrick's entire operations, with external expert review.</p> <p>Following the appointment of a new CEO and the announcement that business strategy would be reviewed, we wrote to the company to emphasize the importance for the long-term value of the company of continuing the new sustainability initiatives. Barrick replied that it would continue to give priority to sustainability and human rights under the new strategy. Subsequent announcements on new human rights initiatives give substance to this assurance.</p> <p>In 2013, we will continue to encourage Barrick to make the HRIA process transparent and participative for local communities, and to adopt a free, prior and informed consent (FPIC) policy to ensure social license for operations impacting indigenous peoples. We will also explore water risk issues with the company.</p>
Goldcorp	<p>Seek free, prior and informed consent of Indigenous Peoples</p> <p>Develop and implement appropriate grievance mechanisms to ensure social license to operate.</p>	↗	<p>We have been engaging Goldcorp on follow-up on the recommendations of the 2010 Marlin mine human rights assessment. We met with the company in February 2012 to discuss a range of issues including land acquisition, water policy and efforts to encourage dialogue between mine-affected communities and the government. We will pursue further discussions on wider application of human rights impact assessment across the company's operations, and on sustainable mine closure. We will also continue to encourage Goldcorp to adopt a free, prior and informed consent (FPIC) policy to ensure social license at operations impacting indigenous peoples.</p> <p>To enhance the diversity and skillset of the Board, Goldcorp has appointed a female director from Mexico. The company has taken voluntary steps to increase the level of royalties paid to communities impacted by the Marlin mine.</p> <p>In July 2012 we participated in a briefing for responsible investors from Goldcorp's CEO and representatives of the board and sustainability management staff.</p> <p>We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why. In 2013, we will continue to discuss</p>

			<p>human rights and FPIC, as well as exploring water risk management and issues surrounding sustainable mine closure.</p>
Hudbay Minerals	<p>Seek free, prior and informed consent of Indigenous Peoples</p> <p>Conduct appropriate human rights due diligence for operations</p>	↗	<p>Hudbay is in the early stages of implementing its new human rights policy. We met with the company in November 2011 to discuss its approach to community relations at the Constantia project in Peru. We offered input on ESG disclosure needs relating to community relations, and we continue to encourage the company to seek free, prior and informed consent (FPIC) to ensure social license at operations impacting indigenous peoples.</p> <p>We met with company representatives in April 2012 to discuss the implications of recent protests against mining in Peru, and learn more about how the company is working to protect its license to operate in a complex social and political environment.</p> <p>We are also monitoring developments in a lawsuit alleging company liability in the death of a critic of the Fenix mine in Guatemala, which was formerly owned by Hudbay.</p>
Ivanhoe Minerals	Enhance ESG disclosure	→	<p>Ivanhoe Mines was added to the 2012 Focus List as an outcome of the Evaluations process. We wrote to the company to initiate engagement, asking for enhanced and more frequent disclosure of ESG information, particularly in relation to the Oyu Tolgoi project in Mongolia. The dialogue was paused following the sale of our holdings by the portfolio manager and Rio Tinto's acquisition of a majority stake in the company.</p>
Potash	<p>Develop and implement corporate water strategy</p> <p>Address risks associated with exports from Western Sahara</p>	↗	<p>We have re-initiated contact with Potash following the hiatus in engagement during the attempted takeover by BHP Billiton.</p> <p>Potash is a responder to the CDP Water initiative and has undertaken water balance assessments for its sites. We met with the company in March 2012 to discuss water strategy and water-related stakeholder relations challenges.</p> <p>We also discussed Potash's efforts to mitigate risks relating to export of resources from the disputed territory of Western Sahara, following divestment by the Norwegian Pension Fund Global. We are encouraging the company to explore opportunities to extend benefit from phosphate exports to displaced members of the Saharawi community, and to implement human rights due diligence in accordance with the UN Guiding Principles.</p> <p>In 2013 we will continue to explore water risk management, as well as sustainable mine closure practices.</p>
Teck	Seek free, prior and informed consent of Indigenous Peoples	↗	<p>We met with Teck representatives in June 2012 to discuss a wide range of ESG issues. Teck has some excellent practices and strong relationships with First Nations in BC but has not yet committed to free, prior and informed consent (FPIC). The company is revising policy on relations with indigenous peoples to take into account recent developments around FPIC, and expects to clarify its public position later in the year. We will follow up with the company in the context of the Boreal Leadership</p>

Council's FPIC initiative. Teck is also exploring human rights impact assessment as a way to enhance its due diligence process in accordance with the UN Guiding Principles on Business and Human Rights. The company has published goals for greenhouse gas emissions reduction and avoidance and is exploring potential impacts of climate change on its mine sites to develop adaptation strategies.

We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why.

*Industrials*

Company	Objectives	Status	Activity
Bombardier	Assess exposure to conflict minerals and support efforts to certify minerals exported from the Democratic Republic of Congo		<p>Bombardier responded to our suggestion in 2011 of investigating supply chain relationships that could be impacted by emerging regulations on conflict minerals from the Democratic Republic of Congo (DRC).</p> <p>We met with the company in June 2012 to discuss progress in implementing its supply chain policy. Bombardier is moving to the stage of verifying supplier self-assessments of compliance with the policy, and expects to enhance disclosure on compliance in future. The conflict minerals issue is being integrated within the company's wider supply chain work.</p> <p>We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why. We have also agreed to take part in Bombardier's stakeholder consultation process. In 2013, we will continue to monitor supply chain issues, as well as exploring how the company is addressing water risks.</p>
CN Railway	Link compensation with ESG performance		<p>In 2011 we wrote to the CN Board to identify areas of concern within the executive compensation plan. While health &amp; safety was mentioned in the compensation discussion in the 2011 proxy circular, there was limited detail about targets and actual performance. We met with the company in December 2011 to discuss compensation disclosure.</p> <p>Based on the disclosure enhancements in the 2012 proxy circular, we voted for the compensation plan at the 2012 AGM. We wrote to the company to acknowledge the areas of improvement. CN Rail won a 2012 Canadian Coalition for Good Governance award for its compensation disclosure.</p> <p>In 2013, we will be exploring the company's approach to Aboriginal relations in the Canadian Boreal, and the potential to enhance disclosure on board diversity.</p>
Finning	Improve climate change disclosure and set greenhouse gas emission targets		<p>Finning has begun to provide information to investors through the Carbon Disclosure Project (CDP), but the company has not yet set GHG targets. We met with company representatives in May 2012 to discuss Finning's plans to improve the coordination of its sustainability activities and enhance its ESG disclosure, including its CDP response.</p>

			<p>Finning enhanced the scope of its greenhouse gas emissions disclosure in its 2012 submission to CDP, although there is room for further improvement.</p> <p>We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why.</p>
Ryanair	Adopt a progressive stance on climate change		<p>We wrote to the company to express concern about the reputational risks posed by reports of the CEO's controversial statements on climate change and other issues. We met with the CEO in April 2012 to seek clarification on how the company manages communications risk, and learn more about the role of media controversy in Ryanair marketing. Following the meeting we wrote to the company again, urging it to enhance disclosure on key ESG issues such as fuel efficiency strategy and emissions management.</p> <p>We will follow up with the company in 2013 on ESG disclosure and the wider issue of how airlines can improve sustainability performance in a high impact sector.</p>
Transcontinental	Track implementation of sustainability strategy		<p>In 2011 we provided input on Transcontinental's sustainability reporting. In August 2012 we met with the company once again to provide feedback on the latest report. We also sought and received clarification on the company's approach to sourcing sustainable forest products, emphasizing our preference for Forest Stewardship Council (FSC) certification as a risk management tool.</p> <p>In 2013 we will follow up with the company on forest and water risk management, as well as exploring the potential for enhanced disclosure on board diversity.</p>

**Consumer Discretionary & Staples**

Company	Objectives	Status	Activity
Coca-Cola	Link compensation to ESG performance		<p>We wrote to the Coca-Cola Board after the 2011 AGM to explain why we had voted against the compensation plan, but did not receive a response. As the company has a strong record on sustainability, we were surprised that the compensation plan did not incorporate ESG metrics. We filed a shareholder proposal asking the company to explain its rationale. We met with the company twice in December 2011, and withdrew the proposal when Coca-Cola committed to clarify the linkage of ESG to compensation.</p> <p>The 2012 proxy circular showed some improvement in compensation disclosure, but we will follow up to press for further enhancement of the ESG linkage. We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why.</p> <p>In 2013 we will continue to engage on compensation issues, as well as exploring the company's approach to water risk management in more</p>

			detail.
Dollarama	Adopt a supply chain code of conduct to protect human rights and improve working conditions.		<p>After a series of product recalls at retailers in 2011, we became concerned about supply chain management at Dollarama, as the company provided little information on this topic in its disclosures. We wrote to express our concerns and met with representatives of the company in May 2012. Our discussions suggested that Dollarama was more active on sustainability issues than was apparent, and we encouraged the company to begin reporting in this area for the benefit of investors and other stakeholders.</p> <p>In June 2012 the company published a first sustainability summary, with basic information on product safety, vendor compliance and energy efficiency efforts.</p> <p>In 2013 we will continue to urge the company to enhance ESG performance and disclosure, with a focus on supply chain issues.</p>
General Mills	Address water risk in operations and supply chain  Link compensation to ESG performance		<p>We have been discussing with General Mills for several years about a water footprinting report it commissioned for key agricultural inputs. The work is impressive and the company is moving into the second phase of evaluating the implications of the findings. The company also began participating in the CDP Water Disclosure initiative and has initiated a scorecard evaluation process for its key suppliers. The dialogue was paused when the portfolio manager sold the holding.</p>
Gildan	Assess supply chain risk to protect human rights and improve working conditions.		<p>Gildan is a Canadian leader in supply chain management, verification and disclosure. We met with representatives of the company in May 2012 to discuss the integration of recent acquisitions (GoldToeMoretz and Anvil) to Gildan's supply chain management system. The company appears to have robust systems for conducting CSR due diligence and integrating acquisitions to its own supply chain system. Given the company's relatively strong performance on supply chain management, in 2013 we will prioritize engagement efforts with other companies instead.</p> <p>We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why.</p>
Heinz	Assess forest impacts in the supply chain and participate in the Forest Footprint Disclosure project		<p>We wrote to the company to initiate the engagement, focusing on disclosure and management of risks to forest biodiversity associated with palm oil and other commodities in the supply chain. Heinz replied with additional information about its plans to source responsibly-produced palm oil, and we are satisfied with the quality of the response for the time being. Heinz has also responded to the Forest Footprint Disclosure project, which was a condition for withdrawal of a shareholder proposal filed by U.S. SRI investment institution Trillium.</p>
Kraft	Assess forest impacts in the supply chain and participate in the Forest Footprint Disclosure project  Link compensation to ESG		<p>We wrote to Kraft to initiate the engagement, focusing on disclosure and management of risks to forest biodiversity associated with palm oil and other commodities in the supply chain. After repeated attempt to contact the company, we still await a reply. Kraft has been unresponsive to engagement by investors in 2012, possibly because of the split to form two companies, Mondelez International and Kraft Foods. In 2013 we will</p>

	performance		<p>follow up with both companies on forest risk management (including palm oil) and on water risk management.</p> <p>We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why.</p>
Leon's Furniture	Adopt a supply chain code of conduct to protect human rights and improve working conditions	↗	<p>We wrote to the company to initiate the engagement, focusing on supply chain standards. We met with a company representative in September 2012 to learn more about Leon's supply chain management. The company recognizes the importance of enhancing ESG disclosure. Based on assessment of Leon's disclosure in 2013, we will decide whether to follow up with the company as part of the 2014 Focus List.</p>
Loblaw	<p>Adopt a supply chain code of conduct to protect human rights and improve working conditions for the company's apparel division.</p> <p>Commit to sourcing sustainable palm oil</p>	↗	<p>We wrote to the company to initiate the engagement, focusing on supply chain labour standards, and disclosure and management of risks to forest biodiversity associated with palm oil and other commodities in the supply chain. We met with company representatives in June 2012, and discussed the company's plans to source sustainable palm oil for its own brands, as well as supply chain management in the Joe Fresh clothing line.</p>
News Corp	Press ethics	✗	<p>News Corp was added to the 2012 Focus List as a result of a Management Breach Investigation into allegations of illegal phone hacking and other serious ethics violations. We wrote to the company to raise our concerns but did not receive a response. As a result it was decided that Ethical Funds would divest from the company.</p>
Saputo	Publish GRI compliant sustainability report	↗	<p>We wrote to Saputo to follow up on the issue of improving its ESG disclosure. We met with the company in July 2012 to discuss sustainability strategy, reporting plans and procurement policy. Saputo will decide whether to implement reporting based on GRI guidelines based on the outcomes of the G4 version consultations. We will monitor disclosure in 2013, and on this basis decide whether to engage the company on enhancing ESG disclosure as part of the 2014 Focus List.</p>
Tim Horton's	Assess forest impacts in the supply chain	↗	<p>Tim Horton continues to roll out the implementation of its supply chain management system. We met with the company in May 2012 to discuss disclosure and management of risks to forest biodiversity associated with commodities within the supply chain. Tim Horton is already taking steps to address impacts associated with its most-used forest products such as coffee and paper cups.</p> <p>We also introduced the Forest Footprint Disclosure project, a global initiative to encourage companies to report on forest commodities in the supply chain.</p> <p>We will follow up with the company in 2013 to learn more about its exposure to palm oil and soy, as well as exploring its exposure to water risk issues.</p>

**Financial Services**

Company	Objectives	Status	Activity
Bank of Montreal	Ensure a pay for performance philosophy on compensation using appropriate peers for comparison and non-financial performance metrics.	↗	<p>In 2011 we wrote to the Board asking that compensation should more directly reflect performance, be compared to appropriate peers and utilize non-financial performance metrics. We met with the Vice President, Compensation and Chair of the Compensation Committee of the Board in late 2011 to discuss our concerns.</p> <p>Based on the disclosure in the latest proxy circular, we voted against the compensation plan at the 2012 AGM. We wrote to the board in August 2012 to explain this decision, encouraging BMO to take further steps to integrate ESG metrics to compensation frameworks, including long-term incentives. We await a reply.</p> <p>In 2013 we will be challenging the Big 5 banks on the widening gap between the compensation of top executives and other workers. We will be filing shareholder proposals to address this systemic issue.</p>
CIBC	Improve pay for performance linkages and include non-financial targets in compensation schemes	↗	<p>We wrote to the CIBC Board to explain why we did not support the compensation plan at the 2011 AGM, and asking for improved disclosure that demonstrates the linkage of pay to performance. We received a reply from the board and met with the company in January 2012 to discuss our concerns. CIBC indicated that it planned to address issues raised in our letter.</p> <p>Based on the disclosure in the latest proxy circular, we voted against the compensation plan at the 2012 AGM. We wrote to the board in August 2012 to explain this decision, encouraging CIBC to enhance disclosure on actual performance against ESG objectives included in the plan, and clarify the extent to which the board uses discretion in setting compensation. We received a reply and met with company representatives in September 2012 to discuss these issues.</p> <p>In 2013 we will be challenging the Big 5 banks on the widening gap between the compensation of top executives and other workers. We will be filing shareholder proposals to address this systemic issue.</p>
Great West Lifeco	Disclose material climate change information	✘	<p>At the 2011 Great West Lifeco AGM our shareholder proposal on climate disclosure, filed for the third time, received 7.3% support. This represented a significant proportion of non-controlling shareholders in the company. At the AGM we spoke to Board Directors about the climate disclosure issue, and followed up by writing to the Board to offer dialogue. The response was not positive, and as a result it was decided that Ethical Funds would divest from the company. Subsequently, in the summer of 2012, GWL's parent responded to the Carbon Disclosure Project on behalf of all group companies. We will follow up to establish if the company has now met the request within our earlier shareholder proposal.</p>
Industrial Alliance	Publish a Sustainability Report using the Global Reporting	↗	<p>We met with the company in December 2011 to discuss sustainability reporting, and provided feedback on current ESG disclosure within the Annual Report. In 2013, we will follow up with feedback on the</p>

Company	Objectives	Status	Activity
	Initiative (GRI) standard		company's latest reporting.
Intact Financial	Commit to producing a report consistent with the Global Reporting Initiative (GRI)		<p>We wrote to the company to initiate engagement, focusing on the potential to consolidate existing disclosure into a report consistent with the Global Reporting Initiative (GRI) framework. We met with company representatives in April 2012 to discuss Intact's plans to develop a sustainability strategy and enhance its monitoring and reporting on ESG issues. In 2013, we will follow up with feedback on the company's latest reporting.</p> <p>We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why.</p>
Laurentian Bank	Improve pay for performance linkages and include non-financial targets in compensation schemes		<p>At the 2011 Laurentian AGM, our shareholder proposal on executive compensation metrics received 27% support. We filed a similar proposal for the 2012 AGM when we did not receive a response to follow-up correspondence, despite the high level of support. The proposal asks Laurentian to consider using a basket of metrics for determining compensation, including non-financial metrics. We met with Laurentian in January 2012, but could not reach an agreement on withdrawal. The proposal went to a vote in March, and received 46% support. We also voted against the compensation plan at the 2012 AGM, and wrote to the board to explain why.</p> <p>We met with representatives of the company in August 2012 to discuss next steps following the significant vote at the AGM, and will meet with the board for further discussions in late 2012.</p>
National Bank	Improve pay for performance linkages and include non-financial targets in compensation schemes		<p>In 2011 we wrote to the Board and met with management to discuss why we did not support the executive compensation packages presented in 2010. Later in 2011, we wrote to National to explain why we could not support the 2011 package either. A response was received and the company seems willing to continue to engage with concerned shareholders. Based on the latest proxy circular, we voted for the compensation plan at the 2012 AGM. We wrote to the board to highlight possible areas for further enhancement within its compensation practices.</p>
Royal Bank of Canada	Improve pay for performance linkages and include non-financial targets in compensation schemes		<p>We wrote to the Board after the 2011 AGM to explain why we had voted against the compensation plan, but were not satisfied with the response. We filed a shareholder resolution asking RBC to be more transparent about targets for short, medium- and long-term compensation, as well as to incorporate non-financial performance metrics. We met with the company twice in late 2011, and withdrew the resolution when RBC committed to provide more detailed disclosure on compensation structure and the use of discretion. The latest proxy circular addressed some of our concerns. As a result, we voted for the compensation plan at the 2012 AGM, but nevertheless we wrote to the board in August 2012 to highlight areas for improvement within its compensation practices. We received a reply, and will continue this discussion in the coming year.</p>

Company	Objectives	Status	Activity
Scotiabank	Improve pay for performance linkages and include non-financial targets in compensation schemes		<p>In 2013 we will be challenging the Big 5 banks on the widening gap between the compensation of top executives and other workers. We will be filing shareholder proposals to address this systemic issue. As a first step, we filed a proposal with RBC in October 2012, and have met with the company for initial discussions on how it could address our concerns. We will also explore opportunities to improve disclosure on board diversity.</p> <p>In 2011 we filed a shareholder proposal asking Bank of Nova Scotia to disclose the targets used for determining compensation levels. The proposal received 35% support. We met with the company after the AGM and it committed to improve disclosure on targets, in line with our proposal.</p> <p>Based on the 2012 proxy circular, the company has made progress in linking pay to performance, and we met with the company in April 2012 to discuss the recent disclosure enhancements. Nevertheless, we see scope for further improvement, and voted against the compensation plan at the 2012 AGM. We wrote to the board in August 2012 to explain this decision, encouraging the company to take further steps to integrate ESG metrics to compensation frameworks, including long-term incentives, and to phase out use of stock options. We received a reply from the board outlining its position, and will continue this discussion in the coming year.</p> <p>In 2013 we will be challenging the Big 5 banks on the widening gap between the compensation of top executives and other workers. We will be filing shareholder proposals to address this systemic issue. We will also explore opportunities to improve disclosure on board diversity.</p> <p>In June 2012 we participated in Bank of Nova Scotia's sustainability report stakeholder panel. We encouraged the company to enhance disclosure of the linkages between sustainability initiatives and strategic business objectives.</p>
TD Bank	Improve pay for performance linkages and include non-financial targets in compensation schemes		<p>TD has been responsive to our previous engagements on executive pay and has shown leadership amongst its peers with regard to compensation disclosure. However, based on the latest proxy circular we voted against the compensation plan at the 2012 AGM. In August 2012 we wrote to the board to explain our decision, asking for further disclosure on how ESG metrics are imbedded into compensation. We await a response.</p> <p>In 2013 we will be challenging the Big 5 banks on the widening gap between the compensation of top executives and other workers. We will be filing shareholder proposals to address this systemic issue. We will also explore opportunities to improve disclosure on board diversity.</p>
TMX Group	Require TSX listed companies to disclose material ESG data		<p>TMX Group is aware of increasing investor demand for ESG data on publicly-traded companies. We have met with company representatives on several occasions recently to discuss steps it is taking to encourage</p>

Company	Objectives	Status	Activity
	Improve pay for performance linkages and include non-financial targets in compensation schemes		<p>improved ESG disclosure among TSX-listed companies, and to offer input on investor needs. We have also been encouraging the exchange to produce its own sustainability report. We met with representatives of the company in April 2012 to discuss the findings of the latest Sustainable Stock Exchanges global benchmarking. The TSX has been responsive to this collaborative engagement, and is taking steps to investigate demand for ESG disclosure, as well as educating issuers about investors' ESG disclosure needs. We also discussed the company's efforts to bring together its internal and listings-related efforts into an integrated sustainability strategy.</p> <p>We have written to the Board twice outlining our concerns about executive compensation, but were not satisfied with the response.</p> <p>As the Maple Group acquisition has now been completed, and the company has been delisted, we will continue discussions with TSX contacts on and ESG disclosure requirements and listing standards within a public policy context.</p>

### Information Technology

Company	Objectives	Status	Activity
Cisco	Protect human rights on the internet		Previously we co-filed a shareholder proposal on managing the risks associated with protecting basic human rights on the internet. In 2011 we wrote to the company regarding both human rights due diligence and executive compensation disclosure. Cisco's sustainability report now addresses human rights issues. We met with the company in January 2012, and had positive discussions on both topics. We met with Cisco representatives again in April and July 2012, to learn more about efforts to develop and roll out a human rights strategy, and plans to report more fully on human rights issues. This dialogue is now paused.
Research in Motion	<p>Implement a supplier code of conduct</p> <p>Respond to the challenge of conflict minerals</p> <p>Separate roles of Chair &amp; CEO</p>		<p>RIM adopted a code of conduct in 2011 and is now working on implementation. On the issue of conflict minerals sourced from the Congo, RIM is transparent on its approach which includes working with industry on a certification scheme and supporting progressive legislation. We will follow up on this issue in 2012, when U.S. regulations are clarified.</p> <p>In 2011, we made an agreement with the Board that it would commission and publish an independent report evaluating the business necessity for a combined CEO/Chair structure by January 31, 2012. We met with RIM in November 2011 and January 2012. In advance of the publication of the report, RIM took action to separate the Chair and CEO and appoint an independent Chair.</p> <p>We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why.</p>

**Telecommunications**

Company	Objectives	Status	Activity
BCE	<p>Adopt policies and practices to educate consumers about potential health risks from cell phones, particularly children.</p> <p>Support further research into cell phone safety.</p>		<p>Given recent scientific and government announcements about potential health risks of cellphone usage, we continue to suggest that the company take a more proactive stance on educating consumers. We met with the company in February 2012 to discuss BCE's emissions risk mitigation activities and encourage more disclosure of information on cellphone emissions risks.</p> <p>We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why.</p>
Rogers Communications	<p>Ensure implementation of supplier code of conduct</p> <p>Adopt a precautionary response to product safety</p>		<p>Rogers adopted a supplier code of conduct in 2010, and requirements based on this code are now included in the RFP process when seeking suppliers but an audit program is still being developed to ensure adherence. Given recent scientific and government announcements about potential health risks of cellphone usage, we will be continuing to suggest that the company take a more proactive stance on educating consumers. We met with the company in April 2012, but remain concerned about the quality of Rogers' disclosure on these issues.</p>
TELUS	<p>Formally adopt supplier code of conduct</p> <p>Adopt a precautionary response to product safety</p> <p>Link compensation to ESG performance</p>		<p>We met with Telus twice in November 2011 to discuss executive compensation and CSR issues. We raised concerns about discretionary bonuses and encouraged Telus to enhance the linkages between compensation and corporate ESG performance. We voted against the compensation plan at the 2012 AGM and will be writing to the board to explain why. We will follow up on this discussion in 2013.</p> <p>Telus' supply chain code of conduct is now approved and will be rolled out this year. The implications of impending U.S. regulations on conflict minerals disclosure were also discussed. We encouraged the company to offer more disclosure of information on cellphone emissions risks.</p> <p>We met with the company in February 2012 to discuss and provide feedback on its CSR report.</p>

**Health Care**

Company	Objectives	Status	Activity
Johnson & Johnson	<p>Link compensation to product safety performance</p>		<p>Johnson &amp; Johnson was reinstated to the 2012 Focus List as a result of a Management Breach Investigation into product safety concerns that have led to a series of recalls and extensive litigation. J&amp;J has established a committee to address these problems, but we planned to engage on the issue of linking executive compensation to progress on addressing product safety issues, after voting against the compensation plan at the AGM. We learned subsequently that the company will be making some changes in line with what we are seeking, as part of a litigation</p>

Pfizer	<p>Improve efforts to make medicines more accessible and support R&amp;D for neglected diseases</p> <p>Improve links between pay and performance when determining compensation</p>	<p>settlement. We plan to meet with the company in late 2012 to discuss integration of ESG targets and metrics to the compensation plan.</p> <p>Based on the latest proxy circular, once again we voted against the compensation plan at the 2012 AGM. We wrote to the board to explain why. Pfizer now has an agreement with the U.S. Department of Justice to implement policies and operational controls to ensure compliance with regulation, and the board is exploring how incentive-based compensation could be affected for employees who fail to fulfill compliance-related duties. We encouraged Pfizer to include specific mechanisms and metrics linking compensation to ESG performance in future frameworks, and to disclose this in the proxy circular.</p>
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