

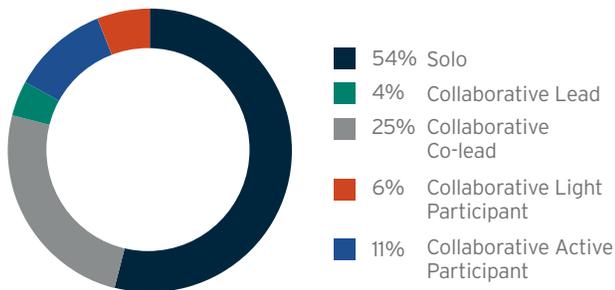
At NEI Investments, our ESG team actively engages companies across our funds to drive change on behalf of our investors. Through dialogue, we alert companies to the environmental, social and governance risks they are facing. We propose solutions to help them overcome tough challenges and improve their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

Corporate engagement by the numbers



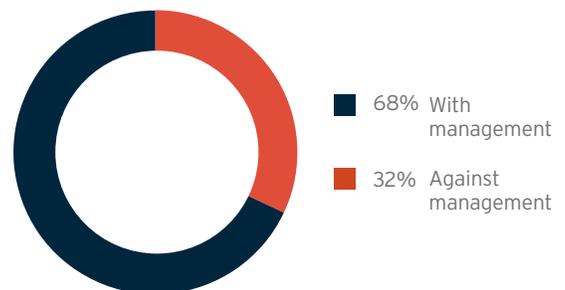
NEI engagement role

In Q2 of 2019 we have led, either alone or in collaboration with other investors, 83% of our engagements. These dialogues were actively driven by our team; they went beyond signing on to collaborative investor letters or statements.

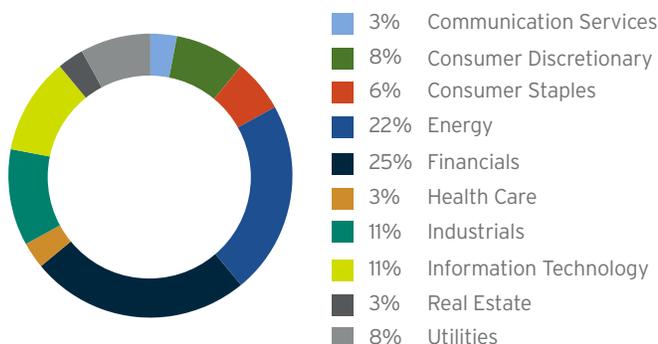


Vote instruction

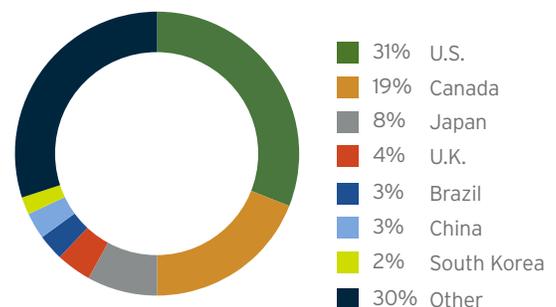
In Q2 of 2019, we voted against company management at Annual Shareholder Meetings 32% of the time. Voting against company management is one indicator for investors to determine whether their proxy votes are actively managed by their fund company rather than set to automatically vote in favour of management.



Engagement by sector



Votes by market



To learn more about how we voted at companies in a particular fund and to review our voting guidelines, visit our proxy voting section at neiinvestments.com.

Engagement *outcomes*

General Motors, and climate lobbying

Jamie Bonham, Manager Corporate Engagement

In collaboration with other investors in the Climate Action 100+ initiative, we continued our engagement with General Motors, encouraging the company to align its lobbying on vehicle efficiency standards with its stated commitment to be a leader in the low-carbon economy. The company's contradictory lobbying efforts are partially responsible for the current U.S. administration's efforts to roll-back future vehicle efficiency standards, weakening an important policy tool for reducing GHG emissions and opening the company up to significant regulatory uncertainty as California and 13 other states challenge the new federal rules in court. We urged GM to actively engage California and the Trump administration to rectify the situation, and the company has responded by publicly calling on both governments to re-open negotiations.



Sectors:	Financials
SDGs:	13: Climate Action

Digital rights

Rosa van den Beemt, Senior ESG Analyst

Data security and privacy issues touch us all, from our phone preferences to our investments in companies with data controversies. Back in December 2018 we led the creation of an [investor statement](#) on corporate accountability on digital rights, which was sent to all 21 companies ranked by Ranking Digital Rights on issues such as privacy, user rights and freedom of expression online. In Q2 this year, we co-led dialogues with Microsoft and Vodafone, both leaders on privacy that are setting the bar for their industries to think through difficult topics such as Artificial Intelligence and human rights. We also joined the New Zealand Superfund's global collaborative investor initiative, as one of the only four Canadian investment funds out of 78 global members, to engage social media companies such as Facebook, Google and Twitter on hateful and violent content in the wake of the Christchurch shootings.



Sectors:	Consumer Staples & Consumer Discretionary
SDGs:	16: Peace, Justice and Strong Institutions

Canada's Expert Panel on Sustainable Finance

Jamie Bonham, Manager Corporate Engagement

June 14 saw the [Expert Panel on Sustainable Finance](#) release its final recommendations, which could prove a seminal moment in both the growth of responsible investing in Canada and in the evolution of our resource-heavy economy toward a low-carbon future. NEI was one of several investors to prompt the federal government to create the panel, and to provide detailed recommendations once it was underway. The report is about "mobilizing financial services to deliver the investment, ingenuity and influence needed to realize Canada's leadership opportunity and secure a sustainable economic future." Several recommendations reflect our input and align with our work on the energy transition:

- #2 Provide Canadians the opportunity and incentive to connect their savings to climate objectives. One of our key suggestions was to create a tax-friendly incentive to encourage investors to choose climate-friendly funds.
- #6 Clarify the scope of fiduciary duty in the context of climate change. This means extending fiduciary duty to ensure any assessment of an investment includes considerations of climate risk.
- #10 Promote sustainable investment as 'business as usual' within Canada's asset management community. Not surprisingly, we agree!
- #12 Support Canada's oil and natural gas industry in building a low-emission, globally competitive future. This recommendation affirms our focus on engaging the O&G industry to become resilient through innovation, dramatic emission reductions, and diversification.

Congratulations to the Expert Panel on their final report. We look forward to helping make the recommendations a reality.

2019 proxy season: *the opioid crisis, diversity and tech troubles*

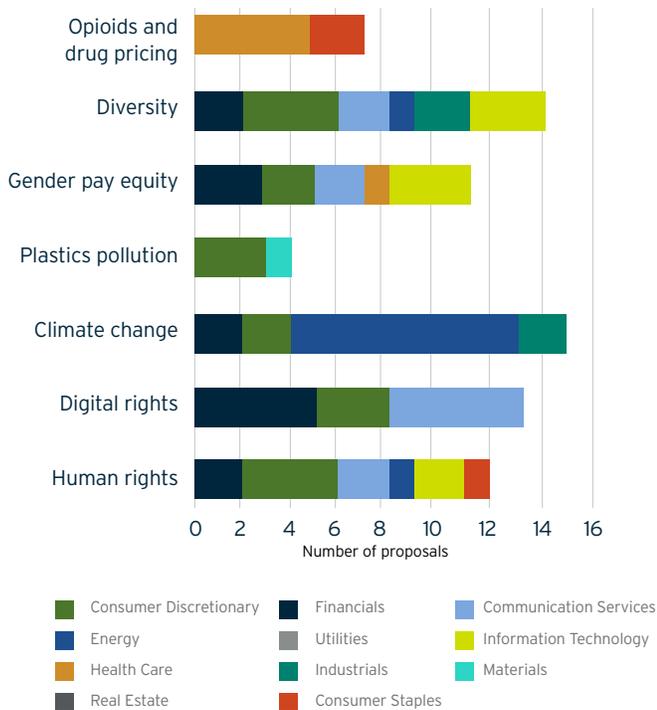
Rosa van den Beemt, Senior ESG Analyst and Hasina Razafimahefa, ESG Analyst

2019 proxy season is a wrap! Every year shareholders have the right to vote on certain issues facing companies they invest in, such as board elections, compensation, and proposals from other shareholders. Increasingly, these proposals ask companies to address social or environmental issues. Typically, proposals that get over 20% support from investors are considered successful because it signals to management that a big portion of their investor base cares about an issue. Bloomberg and the Wall Street Journal report that in 2019, support for social issues such as the opioid crisis, diversity, and human rights is on the rise, and we have seen the same trend. At NEI we believe thoughtful voting is instrumental to fulfilling our responsibility to our investors and is an important tool for active ownership and company engagement¹. We typically vote in favour of shareholder proposals that are reasonable and well-targeted, make a robust argument in support of the long-term sustainable growth of the company and/or for enhanced accountability of the company to its stakeholders, such as employees, communities and investors.

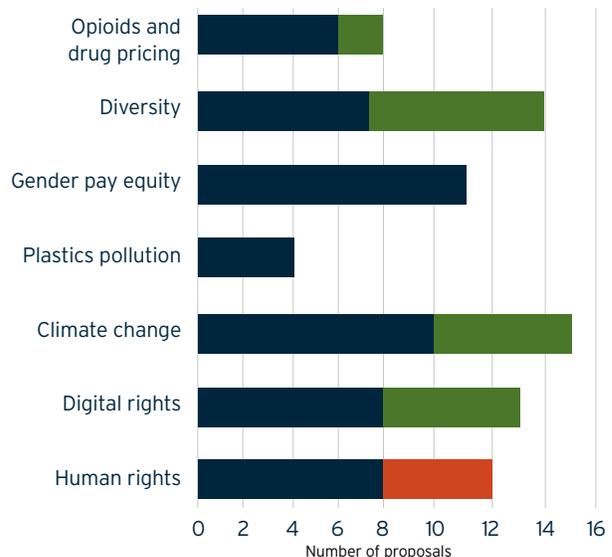
This proxy season, based on our own holdings, the top investor concerns were climate change, diversity, digital rights, lobbying, human rights and gender pay equity. **Alphabet** (parent of Google) was the most targeted company with 13 resolutions going to a vote, followed closely by **Amazon** and **Facebook**. We've focused on some emerging topics below.



Focus themes by sector



NEI vote instructions per key issue



¹To read our proxy voting guidelines or see full records of how we voted per fund or company name, visit: neiinvestments.com

Gender pay equity

U.S. companies in the technology, consumer and financial services sectors have been asked by U.S. investor Arjuna Capital to address gender pay disparities. We supported all these proposals, which requested the disclosure of global median gender pay gaps that would reveal the distribution of women and men between the lowest- and highest-paying jobs, as is already required by law in the U.K. The sooner companies identify gaps, the better they can take proactive and early action to address such gaps. **Citigroup** set the example by being the first U.S. company to report its global median pay gaps for women and minorities.

Plastics pollution

Building on our engagement with global consumer brands through the Plastics Solutions Investor Alliance, we voted for proposals filed at **Restaurant Brands International**, **Yum! Brands** and **Starbucks** to address the systemic risk posed by plastics. While these companies have made recent efforts toward sourcing more sustainable packaging, we shared other investors' views that plastics pollution should be addressed by a more comprehensive sustainable packaging strategy. And investors are getting somewhere: the Starbucks proposal won support from nearly half its investors (45%) - a record high on the topic.



Small cap Canada: fast improvements on governance

This proxy season was the second year in our targeted effort to advance governance practices at companies where we own over 1% of shares. These are mostly small to medium cap Canadian companies held in the **NEI Small Cap Equity Fund** and **NEI Small Cap Equity RS Fund**. Smaller companies tend to have less mature governance practices compared to larger public companies, which is why, ahead of their 2019 Annual Meetings, we warned all 16 companies where we own over 1% of shares about governance concerns that could lead us to vote against management (see "Corporate Dialogues" list). Top concerns we raised were common features in the small cap space: a non-independent chair and the absence of a say-on-pay vote at 75% and 63% of these companies on those respective issues.

We are pleased by several developments this year: **Cervus Equipment** has started to offer a say-on-pay vote and now has fully independent key committees; **Logistec** has adopted director share ownership guidelines; both **Secure Energy** and **Superior Plus** have enhanced their board diversity initiatives; and **Aritzia** has addressed several concerns, including a major shift on its board independence level from being less than majority to now more than two-thirds independent - all things we had recommended.

Corporate dialogues

Company	Sector	Topic	NEI funds
Vodafone Group	Communication Services	Respecting digital rights	NEI Canadian Equity Fund; NEI Canadian Dividend Fund
Canadian Tire	Consumer Discretionary	Bangladesh apparel factory safety	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Jantzi Social Index Fund
General Motors	Consumer Discretionary	Climate Action 100+	NEI Global Value Fund
Winmark Corporation	Consumer Discretionary	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Lassonde Industries	Consumer Staples	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Metro	Consumer Staples	Responsible supply chains; Task Force on Climate-related Financial Disclosures	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund
AltaGas	Energy	Advancing governance of significant holdings	NEI Balanced RS Fund; NEI Canadian Small Cap Equity RS Fund; NEI Canadian Equity RS Fund
Canadian Natural Resources	Energy	Advancing the Canadian energy transition	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund
Cenovus Energy	Energy	Advancing the Canadian energy transition	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund
Chevron	Energy	Climate Action 100+	NEI U.S. Dividend Fund; NEI Tactical Yield Fund
Enbridge	Energy	Advancing the Canadian energy transition	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund
Pason Systems	Energy	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund; NEI Growth & Income Fund; NEI Canadian Equity Fund; NEI Canadian Small Cap Equity Fund
Secure Energy Services	Energy	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Valero Energy	Energy	Climate Action 100+	NEI Global Dividend RS Fund; NEI U.S. Dividend Fund; NEI Tactical Yield Fund
Bank of America	Financials	Advancing ESG management and disclosure	NEI Global Equity RS Fund; NEI Canadian Dividend Fund; NEI U.S. Equity Fund
Citigroup	Financials	Business ethics; responsible lending; implementing TCFD recommendations on climate disclosure; equitable compensation	NEI Canadian Equity Fund
E-L Financial	Financials	Advancing governance of significant holdings	NEI Balanced RS Fund; NEI Canadian Small Cap Equity RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Small Cap Equity Fund
Equitable Group	Financials	Advancing governance of significant holdings	NEI Growth & Income Fund; NEI Canadian Equity Fund; NEI Canadian Small Cap Equity Fund
Goldman Sachs	Financials	Business ethics	NEI Global Value Fund; NEI U.S. Equity Fund
HSBC Holdings	Financials	Advancing ESG management and disclosure (proactive request by the company)	Sold
IA Financial Corp	Financials	Implementing TCFD recommendations on climate disclosure; advancing governance of significant holdings	NEI Balanced RS Fund; NEI Canadian Small Cap Equity RS Fund; NEI Canadian Equity RS Fund
Manulife Financial	Financials	Advancing ESG management and disclosure (proactive request by the company)	NEI Growth & Income Fund; NEI Canadian Equity Fund; NEI Canadian Dividend Fund
RBC	Financials	Advancing the Canadian energy transition	NEI Global Dividend RS Fund; NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund; NEI International Equity Fund

Corporate dialogues (cont'd)

Company	Sector	Topic	NEI funds
Johnson & Johnson	Health Care	Investors for Opioid Accountability	NEI Global Equity Fund; NEI U.S. Equity Fund
Black Diamond Group	Industrials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Cervus Equipment	Industrials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Logistec	Industrials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Stantec	Industrials	Advancing governance of significant holdings	NEI Balanced RS Fund; NEI Canadian Small Cap Equity RS Fund; NEI Canadian Equity RS Fund; NEI Jantzi Social Index Fund
Analog Devices	Information Technology	Investor Decarbonisation Initiative; implementing TCFD recommendations on climate disclosure	NEI Global Equity RS Fund; NEI U.S. Equity Fund
CGI Group	Information Technology	Implementing TCFD recommendations on climate disclosure; advancing ESG management and disclosure; cybersecurity	NEI Balanced RS Fund; NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI Jantzi Social Index Fund
Microsoft	Information Technology	Respecting digital rights	NEI Global Dividend RS Fund; NEI Global Equity Fund; NEI Canadian Dividend Fund; NEI U.S. Equity Fund
STMicroelectronics	Information Technology	Investor Decarbonisation Initiative	Sold
Melcor Developments	Real Estate	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Atco	Utilities	Advancing the Canadian energy transition	NEI Balanced RS Fund; NEI Canadian Equity RS Fund
Dynegy	Utilities	Investor Decarbonisation Initiative	Sold
Superior Plus	Utilities	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund; NEI Canadian Dividend Fund
Valero Energy	Energy	Climate Action 100+	NEI Global Dividend RS Fund; NEI U.S. Dividend Fund; NEI Tactical Yield Fund

Policy actions

Policy activity	Impact sector	Impact market	SDG theme
We signed the Investor Alliance for Human Rights' Making Finance Work for People and Planet statement , which was sent to European Union policymakers, members of the United States Congress, the Organization for Economic Co-operation and Development and the UN Working Group on Business and Human Rights.	All	Global	SDG 16 - Peace, Justice and Strong Institutions
Through our membership in the Circular Economy Leadership Council, we provided comments on Ontario's discussion paper on reducing litter and waste in our communities.	Consumer sectors, Industrials	Ontario	SDG 12 - Sustainable Consumption and Production
We signed an Investor Alliance for Human Rights investor statement to support mandatory human rights due diligence legislation in Switzerland.	All	Switzerland	SDG 16 - Peace, Justice and Strong Institutions
We submitted comments to the Ontario Security Commission's Statement of Priorities, addressing our views on corporate climate change disclosure, gender diversity and cybersecurity/digital rights.	All	Canada	SDG 10 - Reduced Inequalities SDG 13 - Climate Action
Through our membership in the Circular Economy Leadership Council, we sent an open letter to leaders at all levels of government on plastics waste policy in Canada.	All	Canada	SDG 12 - Sustainable Consumption and Production
We presented to Natural Resources Canada and other government staff on ESG and the oil and gas industry.	Oil & Gas	Canada	SDG 13 - Climate Action
The new IPIECA climate change reporting framework was released in June 2019 and reflects some of our key feedback, including the incorporation of the TCFD framework.	Oil & Gas	Global	SDG 13 - Climate Action
Final recommendations from the Expert Panel on Sustainable Finance were released in June and reflect much of our input.	All	Canada	SDG 13 - Climate Action



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