

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment



Every year on behalf of Ethical Funds' investors, the NEI Investments ESG Services team produces a Focus List. This list identifies 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.

Company	Themes	Activity
Oil & Gas		
↗ Apache	<ul style="list-style-type: none"> Hydraulic fracturing Compensation linked to ESG performance 	This dialogue continues from 2013. We voted against Apache's executive compensation package at the 2013 AGM. Our concerns included inadequate linkage between pay and ESG performance. We wrote to the board in July 2013 to explain the rationale for our vote, and in August the chair of the compensation committee responded that our feedback would be taken into account, explaining that ESG metrics are already linked to corporate objectives. We expect 2014 compensation discussion to contain explicit reference to ESG goals, and will follow up on this topic.
↗ BG Group	<ul style="list-style-type: none"> Gas development in Northern BC Unburnable carbon 	This dialogue, paused during 2013, was resumed in response to portfolio changes. BG Group has plans to develop a liquefied natural gas (LNG) plant in BC, and we will discuss regional development plans with the company in 2014.
↗ CNRL	<ul style="list-style-type: none"> Oil sands GHG emissions, climate policy and energy transition Unburnable carbon Compensation linked to ESG performance 	<p>This dialogue continues from 2013. In May 2013 we wrote to the President of CNRL to ask the company to actively support the implementation of a significant price on carbon in Canada. In September 2013 we met with the company and had constructive discussions on carbon pricing, urging CNRL to speak up on climate policy. We also discussed the company's exposure to the risk of stranded assets in a carbon-constrained future. In addition, we expressed our concern about the bitumen seepage at the Primrose in situ oil sands project, and stressed the importance of providing regular updates on environmental incidents. We will continue dialogue on these issues in 2014.</p> <p>We voted against the CNRL executive compensation package once again at the 2013 AGM. We wrote to the board in July 2013 to explain our rationale. In particular, we expressed concern that the company had reduced the impact of ESG metrics within the compensation framework. This was a disappointment, as the company's compensation practice had shown much improvement over the past two years, and the previous proxy circular had indicated clearly how environmental and social performance was taken into account. We will also continue to engage on this topic.</p>
→ Encana	<ul style="list-style-type: none"> Hydraulic fracturing Gas development in Northern BC GHG emissions, climate policy and energy transition Unburnable carbon 	<p>This dialogue continues from 2013. We voted against the executive compensation package once again at the 2013 AGM, in part because of continuing concerns over inadequate linkage between pay and ESG performance, and wrote to the board in July 2013 to explain our rationale. The chair of the compensation committee responded, indicating that our feedback would be taken into account.</p> <p>We wrote to Encana's interim CEO in May 2013, asking the company to actively support the implementation of a significant price on carbon in Canada. In October 2013 we met with management to discuss the company's response to the issues we raised in our letter. We urged Encana to proactively support a price on carbon and highlighted the risks facing the industry if there is continued inaction on climate policy. The company responded that it was still finalizing its internal policy on this issue and would be able to respond more fully in the future. It acknowledged that its internal environmental efficiencies fund has been successful, but</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
		<p>noted the challenges of implementing new technologies in the field and cited these challenges as the main reason for not spending more on energy efficiency-related projects. As well, we discussed the company's progress in improving disclosure on fracking practices and performance.</p> <p>We met with the company in November 2013 to discuss its strategic realignment and how this would impact work on ESG issues. Encana stated that it is still committed to addressing key ESG risks, and believes that the new corporate structure will enable a more focused approach. In particular, the company plans to assess opportunities to show leadership, as we have been advocating in our dialogue. We agreed to provide detailed feedback on the company's disclosure of fracking practices and performance in 2014.</p>
↗ Suncor	<ul style="list-style-type: none"> Oil sands GHG emissions, climate policy and energy transition Unburnable carbon 	<p>This dialogue continues from 2013. In May 2013 we wrote to Suncor's CEO, asking the company to actively support the implementation of a significant price on carbon in Canada. In its response, the company agreed with our premise that Canada requires a price on carbon in order to stimulate innovation and drive efficiency. We met with the company in October 2013 to discuss these issues further, and reiterated our concern that the industry would face continued opposition if it did not support a more progressive climate policy in Canada. We also raised the company's exposure to the risk of stranded assets in a carbon-constrained future. The company indicated that it has been exploring these questions and agreed to consider options for future disclosure on how it is mitigating risk. We shared examples of how leadership could be demonstrated in this area, and will continue the discussion in 2014.</p> <p>We met with the company in November 2013 to follow-up on its commitment, in response to a shareholder proposal withdrawn in 2010, to provide detailed carbon shadow pricing on new oil sands projects. The company noted that Fort Hills was the first new project to be sanctioned since our agreement and committed to discussions on how to fulfill the obligation.</p>
Mining, Forestry & Materials		
Agrium	<ul style="list-style-type: none"> Tactical dialogue 	<p>In November 2013, we were asked by Agrium to participate in a sustainability stakeholder interview. We outlined our perceptions of the company, identified sustainability issues that are important to us as an Agrium shareholder, and commented on the company's most recent sustainability report. We encouraged the company to provide more detail on objectives and targets to create context for performance data, to provide more detail on how it manages sustainability issues, and to enhance the linkage of sustainability to corporate strategy.</p>
Barrick Gold	<ul style="list-style-type: none"> Tactical dialogue 	<p>This dialogue, paused during 2013, was resumed in response to portfolio changes. We met with Barrick Gold senior management in January 2013 and discussed the importance of the company's corporate responsibility and human rights initiatives. The company expressed its commitment to being a leader in both the production and CSR aspects of mining. The company was working on the pilot for a human rights impact assessment (HRIA) program. We encouraged the company to make public the details of the program.</p> <p>We met with the company in November 2013 to discuss how its strategic realignment would impact CSR priorities - in particular, its human rights due diligence and community engagement practices. We conveyed our view that the company's previous structure, which gave regional mine sites significant autonomy, could have contributed to some of the human rights challenges it has faced. Under the new corporate structure Barrick believes it will have greater control over community engagement performance. We will meet with the company in early 2014 to discuss the progress of the HRIA program and ask for more disclosure on the results.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
↗ Domtar	<ul style="list-style-type: none"> • GHG emissions and climate policy • Sustainable forest products 	<p>This dialogue continues from 2013. In December 2012 we wrote to the Domtar board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM. We received a reply outlining the board's perspective. Based on enhancements disclosed in the subsequent proxy circular, we were able to vote for the compensation plan at the 2013 AGM.</p> <p>In March 2013 we met with company representatives to discuss Domtar's commitment to sourcing sustainable wood fibre. The company appeared to be supporting its supply base to become certified to the highest industry sustainable forestry standard (FSC). It was also improving the energy and waste footprint of its mills. In 2014 we will follow up with operational staff to learn more about the supplier program. We will also explore the company's energy and emissions profile in more detail, as well as the role it plays in advancing climate policy.</p>
Goldcorp	<ul style="list-style-type: none"> • Tactical dialogue 	<p>This dialogue, paused during 2013, was resumed in response to portfolio changes. In April 2013 we met with Goldcorp to discuss the development of the company's human rights programs in Guatemala, and the current Guatemalan context related to mining regulation and social unrest.</p> <p>In October 2013 we met with the Chair of Goldcorp's Sustainability, Environment, Health & Safety Committee of the board, the CEO, and senior sustainability staff to discuss recent developments in CSR performance at the company. We encouraged Goldcorp to follow up on the human rights impact assessment (HRIA) undertaken at the Marlin mine in Guatemala, and suggested that the methodology could be utilized at other mine sites. We also urged the company to replicate at other sites some of the best practices that were identified during the Marlin HRIA, such as community-led water monitoring.</p>
↗ Winpak	<ul style="list-style-type: none"> • GHG emissions and climate policy • Sustainable packaging • Enhancing ESG disclosure 	<p>This dialogue continues from 2013. We met with Winpak representatives in April 2013 to discuss its sustainable packaging objectives. Company priorities included supporting food safety through appropriate packaging, providing packaging solutions that respond to demographic changes in society, and decreasing the amount of input raw materials in packaging. We also encouraged the company to increase its disclosure on key ESG topics. We followed up by providing input on ESG disclosure topics that we considered to be of particular interest from an investor perspective.</p> <p>We will continue the dialogue on sustainable packaging and ESG disclosure in 2014. We will also explore the company's energy and emissions profile in more detail, as well as the role it plays in advancing climate policy.</p>
Utilities		
↗ Canadian Utilities/ ATCO	<ul style="list-style-type: none"> • GHG emissions, climate policy and energy transition • Enhancing ESG disclosure 	<p>This dialogue continues from 2013. Although the companies have separate listings, the same management staff are responsible for sustainability issues at both ATCO and Canadian Utilities.</p> <p>In March 2013, we met with company representatives to highlight the importance to investors of annual disclosure on key ESG issues, including climate risk. We provided input on ESG metrics that we considered most relevant for companies in this sector. We followed up with the company in June 2013 to learn more about its plans to update and expand on its sustainability reporting. We also took the opportunity to learn more about the company's approach to gas pipeline safety.</p> <p>We met with the company in November 2013 to discuss its new sustainability report and to provide feedback on improving disclosure. The company noted that it will in future be reporting on ESG performance annually, responding to previous requests. We also discussed the company's challenges in responding to the CDP carbon disclosure survey. We noted that the company shows leadership in its strategy for a low-carbon future and agreed to discuss its approach in more detail in 2014.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
Healthcare & Pharmaceuticals		
→ Johnson & Johnson	<ul style="list-style-type: none"> • Compensation linked to ESG performance 	<p>This dialogue continues from 2013. We met with Johnson & Johnson several times over the year, calling for integration of product safety and compliance performance metrics to the company's compensation plan, following multiple recalls and extensive litigation. The 2013 proxy circular compensation disclosure did not address these issues, and we wrote to the board in June 2013 to explain our rationale for voting against the compensation plan at the AGM, citing the absence of clear linkage between CEO pay and safety metrics.</p> <p>In October 2013, we met with J&J management prior to the shareholder proposal filing deadline to assess whether our concerns were being addressed. The company indicated its board had approved a performance evaluation framework that integrates compliance performance to the compensation of managers and senior executives, and that once implementation was rolled out, changes would be communicated to shareholders. We will determine next steps based on the disclosure in the 2014 proxy circular. We would like to see J&J's corporate Credo and Strategic Framework reflected more clearly in its approach to pay, and to understand how poor quality and compliance performance impacts compensation.</p> <p>We will also follow up with the company regarding its commitment to report publicly on the efforts of the recently-created Regulatory, Compliance & Government Affairs Committee, which is tasked with addressing quality and compliance issues.</p>
IT & Telecommunications		
→ CGI	<ul style="list-style-type: none"> • Enhancing ESG disclosure • GHG emissions and climate policy • Respecting privacy and human rights 	<p>This was a new addition for the 2014 Focus List. In December 2013, we provided feedback on CGI's first CSR report. We commended the company for reporting using the GRI 3.1 Reporting Framework to Application Level B. We also offered suggestions for improvement as the company begins the process of producing its 2013 CSR report.</p> <p>In early 2014, we will follow up to learn more about the company's efforts to manage its own GHG emissions, and enable clients to control their own IT-related emissions. We will also explore its approach to avoiding breaches of privacy and human rights in global IT projects.</p>
Google	<ul style="list-style-type: none"> • Tactical dialogue 	<p>In December 2013 we co-filed a shareholder proposal at Google asking the company to adopt a responsible tax policy to mitigate emerging regulatory and reputational risks of aggressive corporate tax minimization strategies.</p>
→ Manitoba Telecom	<ul style="list-style-type: none"> • GHG emissions and climate policy • Enhancing ESG disclosure 	<p>This dialogue continues from 2013. In December 2013 we wrote to the Manitoba Telecom board to explain our reasons for voting against the company's executive compensation plan at the 2013 AGM. Our concerns included lack of claw-back provisions, absence of disclosure on threshold and maximum performance targets for bonus pay-outs, and performance linkage in the long-term incentive program. We will determine next steps based on disclosure in the 2014 proxy circular.</p> <p>In 2014 we will follow up with the company on GHG emissions and its role in advancing climate policy, as well as enhancing disclosure on ESG issues.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
→ Rogers	<ul style="list-style-type: none"> • GHG emissions and climate policy • Communications stewardship 	<p>This is a new addition for the 2014 Focus List and engagement will be initiated shortly.</p>
↗ TELUS	<ul style="list-style-type: none"> • GHG emissions and climate policy • Communications stewardship • Equitable compensation • Board diversity leadership 	<p>This dialogue continues from 2013. In October 2013, we wrote to TELUS to share our perspective on the importance of board diversity, following up on the Ontario Securities Commission consultation on women on boards. We commended the company's efforts to promote diversity within the organization, and encouraged it to work towards enhanced diversity at senior levels, including the board. We also outlined areas of disclosure on board diversity performance and policy that we would find useful in reaching proxy voting decisions. In its response, TELUS outlined a number of recent developments in its diversity efforts. The company has adopted a diversity policy including measurable objectives for gender and identity diversity, and has signed the Catalyst Accord (a pledge to achieve female representation on the board of at least 25% by 2017). We will determine next steps based on diversity disclosure in the 2014 proxy circular.</p> <p>In April 2013, we met with TELUS to discuss the improvements it has made to the executive compensation plan, which include enhanced disclosure and the adoption of several pay good practices raised in earlier engagement. We also discussed the impact of high quantum executive pay on internal pay equity and corporate reputation, and we provided input to the company on the efforts we are making to explore these issues with Canada's banks. We voted against the executive compensation package once again at the 2013 AGM, in part because the magnitude of pay remains a concern. In November 2013 we wrote to the board to explain our rationale, noting that our concerns about pay quantum could have been alleviated by better disclosure on how pay considerations across the company are integrated to executive compensation decisions. In its response the board offered further dialogue. We will follow up with the company to highlight findings from the Canadian banks' jointly-commissioned research published in December 2013, which recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation. Once again, we will determine next steps based on the disclosure in the 2014 proxy circular.</p> <p>In addition we will explore TELUS' GHG emissions and its role in advancing climate policy, as well as the risks and opportunities of recent efforts by incumbent Canadian telecoms providers to claim a stewardship role in the Canadian communications market.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
Consumer Products & Retail		
→ Canadian Tire	<ul style="list-style-type: none"> • GHG emissions and climate policy • Worker safety in the supply chain • Cotton in the supply chain • Enhancing ESG disclosure and supply chain disclosure 	<p>This dialogue continues from 2013. Following the Rana Plaza factory building disaster in April 2013, we wrote to the company, encouraging Canadian Tire and its subsidiaries, Mark's and FGL Sports, to sign the Accord on Fire and Building Safety in Bangladesh, a multi-stakeholder agreement to promote safer factory buildings. We met with the company in August 2013 to discuss its reasons for supporting the Alliance for Bangladesh Worker Safety, rather than the Accord, given the negative reaction to the Alliance among some stakeholder groups. We remain concerned that the Alliance will not provide the same level of protection to garment workers or risk mitigation to the company.</p> <p>We also discussed ESG disclosure practices. The company demonstrates leadership in its efforts to explore the linkage between GHG emissions reductions and business performance, but reports are not disclosed prominently or promptly. Reporting on supply chain verification is also outdated. We urged Canadian Tire to enhance the scope and timeliness of reporting on these issues, and in September 2013 we wrote to the company to elaborate our perspective on investor-oriented ESG disclosure.</p> <p>In 2014 we will follow up on these discussions, as well as exploring the company's cotton sourcing practices and its role in advancing climate policy.</p>
↗ Coca Cola	<ul style="list-style-type: none"> • Food system sustainability and access to nutrition • Equitable compensation linked to ESG performance 	<p>This dialogue continues from 2013. In May 2013 we met with Coca-Cola representatives to learn more about the company's sector-leading water risk management practices. The relevance of free, prior and informed consent (FPIC) of indigenous people in the water risk context was also explored. In November 2013, Coca-Cola adopted a zero-tolerance policy on land rights violations by its agricultural suppliers, incorporating a commitment to FPIC - raising the bar for companies in the consumer sector on respect for human rights.</p> <p>Continuing to follow up on our withdrawn 2012 shareholder proposal, in March 2013 we met with Coca-Cola representatives following the release of the 2013 proxy circular to discuss pay-for-performance, compensation metrics and equitable pay. During this meeting, we expressed concern over the lack of relative metrics for determining incentive awards. Shortly afterwards, the company announced that it would use a relative metric in determining incentive payouts, but this did not allay shareholder concerns on pay-for-performance and quantum, as the compensation vote received a relatively low 77% support - a 20% drop from 2012. We wrote to the board in September 2013 to explain our rationale for voting against the compensation plan at the 2013 AGM.</p> <p>We met with company representatives in October 2013 for further discussions on how compensation could be linked more clearly to performance against financial and non-financial metrics in the company's long-term 2020 Vision, and the potential to improve disclosure on internal pay equity. We will follow up with the company to highlight findings from the Canadian banks' jointly-commissioned research published in December 2013, which recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation. We will determine next steps based on the disclosure in the 2014 proxy circular.</p> <p>In 2014 we will follow up on these issues as well as exploring the company's role in enhancing access to nutrition.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
→ Empire	<ul style="list-style-type: none"> • GHG emissions and climate policy • Food system sustainability and access to nutrition 	<p>This is a new addition for the 2014 Focus List and engagement will be initiated shortly.</p>
→ Kraft Foods	<ul style="list-style-type: none"> • Food system sustainability and access to nutrition • Enhancing ESG disclosure 	<p>This dialogue continues from 2013. We have been encouraging the company to report on ESG issues at least at the same level as before the reorganization that created the new Kraft Foods entity, and to continue participating in relevant disclosure and sustainability initiatives. In June 2013, we wrote to Kraft, providing investor-perspective feedback on ESG disclosure needs. We were encouraged when Kraft responded to the 2013 CDP carbon disclosure request at a similar level of detail as before the spin-off. In November 2013, we joined other investors in a meeting with Kraft to obtain an update on the company's efforts on sustainability reporting. There does not appear to have been substantial progress on disclosure since our earlier meeting.</p> <p>We voted against the executive compensation package at the 2013 AGM, and wrote to the board to explain the rationale for our decision. In November 2013 we met with company representatives and highlighted the importance of linking executive compensation with the company's non-financial Ingredients for Success and corporate responsibility commitments. We will determine next steps based on the disclosure in the 2014 proxy circular.</p> <p>We will follow up on these issues in 2014, as well as exploring the company's role in enhancing access to nutrition.</p>
↗ Loblaw	<ul style="list-style-type: none"> • GHG emissions and climate policy • Food system sustainability and access to nutrition • Worker safety in the supply chain • Cotton in the supply chain • Enhancing supply chain disclosure 	<p>This was a new addition for the 2014 Focus List, following on a tactical engagement in 2013. In 2012 we had begun a dialogue with Loblaw about supply chain management disclosure and compliance for its Joe Fresh clothing brand. Joe Fresh was one of the brands supplied by garment workers killed and injured in the Rana Plaza factory building disaster in April 2013. In May we wrote to Loblaw asking the company to sign the Accord on Fire and Building Safety in Bangladesh, a multi-stakeholder agreement to promote safer factory buildings. Loblaw signed the agreement, becoming the first Canadian corporate participant, and was also among the first companies to offer compensation to Rana Plaza victims. We paused the engagement when the portfolio manager sold the holding.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
→ Lululemon Athletica	<ul style="list-style-type: none"> • GHG emissions and climate policy • Worker safety in the supply chain • Enhancing supply chain disclosure 	<p>This was a new addition for the 2014 Focus List, following on a tactical engagement in 2013. After the Rana Plaza factory building disaster in April 2013, we joined an ICCR collaborative engagement by investors representing approximately \$3.1 trillion in assets under management, urging global apparel brands and retailers to join the Accord for Fire and Building Safety in Bangladesh. We undertook to lead engagement with Lululemon Athletica, which had not committed to participation in either of the emerging Bangladesh factory safety initiatives, and did not provide adequate disclosure to assess the risks in its Bangladesh supply chain.</p> <p>We met with the company in November 2013 to discuss supply chain risks for companies sourcing garments from Bangladesh. We provided an investor perspective on risk mitigation advantages of the Accord, and highlighted areas for improvement in the company's ESG disclosure. It appears that Lululemon has relatively limited sourcing from Bangladesh and may not be exposed to the lowest-cost garment factories, where structural safety is a significant risk. The company's supply chain partners in Bangladesh are subject to Lululemon's global standards and operate in export processing zones with purpose-built factories and enhanced wage rates. However, we remain concerned that these zones may pose different risks because of restrictions on worker empowerment activities.</p> <p>In 2014 we will follow up on these discussions, urging the company to participate in collaborative efforts to create systemic change in the Bangladeshi garment industry, and to enhance disclosure. We will also explore the company's GHG emissions profile and its role in advancing climate policy.</p>
↗ Metro	<ul style="list-style-type: none"> • GHG emissions and climate policy • Food system sustainability and access to nutrition 	<p>This dialogue continues from 2013. In February 2013, we met with Metro to discuss the company's approach to sustainability, following the publication of its first CSR report in 2012. Metro's priorities included enhancement of its responsible sourcing policies, as well as exploring packaging optimization opportunities. We emphasized the importance of reporting annually on key ESG issues instead of every two years, to ensure investors have up-to-date and comparable information.</p> <p>We voted against the executive compensation package at the 2013 AGM and wrote to the board in July 2013 to explain our rationale. The board responded in October 2013, providing its perspective. We will determine next steps based on the disclosure in the 2014 proxy circular.</p> <p>In 2014 we will explore the company's GHG emissions profile and its role in advancing climate policy, as well as in enhancing access to nutrition. As its supply chain management program develops, we will also be encouraging the company to disclose more on its policies and verification activities.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
Industrial Production & Transportation		
↗ CN Rail	<ul style="list-style-type: none"> Oil-by-rail GHG emissions and climate policy Aboriginal relations Board diversity leadership 	<p>This dialogue continues from 2013. In May 2013, we met with CN to discuss the company's strategy on Aboriginal engagement, as the company's network footprint intersects Aboriginal communities and traditional territories across North America and it had faced controversies in Ontario and Quebec. The company confirmed that it has policies and systems in place for Aboriginal engagement. We highlighted the value of enhancing disclosure about these practices, and discussed the potential relevance of free, prior and informed consent (FPIC) of Aboriginal communities within the railway context. We will continue to explore this issue with the company.</p> <p>Once again, we had been able to vote for the executive compensation package at the 2013 AGM. Nevertheless, in October 2013 we wrote to the board to provide feedback on aspects of compensation practice and disclosure that could be improved. We remain concerned that the linkage of pay to safety performance is not sufficiently explicit, especially in the context of increasing transport of hazardous goods. We will continue to discuss the risks associated with increasing transport of crude oil by rail, against a background of recent derailments and regulatory developments.</p> <p>At our meeting in May 2013, we expressed concern about the timeliness of ESG data, as the company had not published a company-wide CSR report in recent years. In December 2013 the company issued a new CSR report, and it presented detailed information on safety and responsibility performance at its investor meeting.</p> <p>In 2014 we will also encourage the company to enhance proxy circular disclosure on board diversity. As CN demonstrates sector leadership in GHG emissions reduction efforts, we will focus on the role the company plays in advancing climate policy.</p>
→ Magna International	<ul style="list-style-type: none"> GHG Emissions and climate policy Enhancing ESG disclosure Equitable compensation 	<p>This dialogue continues from 2013. In June 2013, we met with the company to discuss a range of issues, including ESG disclosure opportunities and needs. We will continue the discussion on enhancing disclosure in 2014.</p> <p>In July 2013 we wrote to the board to express our concerns about the compensation approach, including some of the highest quantum levels among Canadian executives, and limited performance metrics. In August 2013, the chair responded to acknowledge our feedback and provide more detail on the company's compensation rationale. We will determine next steps based on the disclosure in the 2014 proxy circular.</p> <p>In 2014 we will also explore the company's GHG emissions profile and the role it plays in advancing climate policy.</p>
↗ Ryanair	<ul style="list-style-type: none"> GHG emissions and climate policy Enhancing ESG disclosure 	<p>This dialogue continues from 2013. In June 2013, we had contacted the company to follow up on earlier dialogue on strengthening disclosure on ESG issues, and we corresponded with the company on fuel efficiency efforts, and the risk and opportunity posed by the marketing strategy of encouraging controversy. At the AGM in September 2013, the CEO acknowledged that customer service controversies could pose reputational risk to the company.</p> <p>In October 2013, we wrote to the company to provide detailed suggestions on ESG disclosures that could be helpful to responsible investors, including GHG emissions data and information on safety policies and performance. We will follow up on these discussions in 2014.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
Trans-continental	<ul style="list-style-type: none"> Tactical dialogue 	<p>This dialogue, paused during 2013 as the company had made progress on the issues we had raised previously, was resumed in response to an approach from the company. We have been providing annual feedback on Transcontinental's sustainability reporting for several years. In November 2013 we were asked to participate in the stakeholder consultation to provide feedback on Transcontinental's 2012 sustainability report and 2013-15 Corporate Responsibility plan. We encouraged the company to link its CSR strategy more closely to long-term corporate strategy, and to enhance disclosure on sustainability initiatives relating to its supply chain.</p>
Financials		
↗ Bank of Montreal	<ul style="list-style-type: none"> Equitable compensation 	<p>This dialogue continues from 2013. In the context of growing concerns about the economic and social risks of income inequality, in November 2012 we filed a shareholder proposal asking BMO to assess the value of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We filed similar proposals at each of Canada's Big Five banks on this systemic issue. After discussions with the bank, we withdrew the shareholder proposal when it agreed to conduct a review of the issues raised. We provided input from our own research into pay quantum, internal pay equity and income inequality issues. Over the summer of 2013, six Canadian banks commissioned joint research into compensation questions raised in the shareholder proposal.</p> <p>We met with BMO in October 2013 to determine if the company would be reporting back to shareholders in response to our earlier shareholder proposal. BMO confirmed that it would report back, and as a result we did not re-file the proposal. We will determine next steps in 2014 after reviewing the bank's response, as well as any proposed changes to its compensation plan.</p> <p>We wrote to all the banks in August 2013, asking them to consider publishing their joint research findings to further understanding of this corporate governance topic. In December 2013, a report on the findings was published. It recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation.</p> <p>We had voted against the executive compensation plan at the 2013 AGM and had written to the board in July 2013 to explain the rationale for our decision. We will determine next steps based on the disclosure in the 2014 proxy circular.</p>
↗ Bank of Nova Scotia	<ul style="list-style-type: none"> Equitable compensation GHG emissions, climate policy and energy transition Preventing tax base erosion Board diversity leadership 	<p>This dialogue continues from 2013. In the context of growing concerns about the economic and social risks of income inequality, in November 2012 we filed a shareholder proposal asking BNS to evaluate the use of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We filed similar proposals at each of Canada's Big Five banks on this systemic issue. After discussions with the bank, we withdrew the shareholder proposal when it agreed to conduct a review of the issues raised. We provided input from our own research into pay quantum, internal pay equity and income inequality issues. Over the summer of 2013, six Canadian banks commissioned joint research into compensation questions raised in the shareholder proposal.</p> <p>We met with BNS in October 2013 to confirm the bank's previous commitment to report back to shareholders in response to our earlier shareholder proposal. We will determine next steps in 2014 after reviewing the bank's response, as well as any proposed changes to its compensation plan.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
		<p>We wrote to all the banks in August 2013, asking them to consider publishing their joint research findings to further understanding of this corporate governance topic. In December 2013, a report on the findings was published. It recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation.</p> <p>We voted against the executive compensation plan at the 2013 AGM and wrote to the board in July 2013 to explain the rationale for our decision, receiving a reply inviting further dialogue. Once again, we will determine next steps based on the disclosure in the 2014 proxy circular.</p> <p>In June 2013, we had again participated in the stakeholder panel for the company's sustainability report, encouraging the company to strengthen the links to core business and the stewardship role of banks in the economy. As well as continuing our dialogue on compensation, in 2014 we will raise issues including the bank's role in advancing energy transition and climate policy; the prevention of tax base erosion; and leadership on board diversity. BNS is signatory to the Catalyst Accord (a pledge to achieve female representation on the board of at least 25% by 2017).</p>
Canadian Western Bank	<ul style="list-style-type: none"> Tactical dialogue 	<p>We wrote to the board of Canadian Western Bank to explain our vote against the compensation plan at the 2013 AGM. In September 2013, we received a substantive response from the board. We will follow up with the bank to highlight findings from the Canadian banks' jointly-commissioned research published in December 2013, which recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation.</p>
↗ CIBC	<ul style="list-style-type: none"> Equitable compensation 	<p>This dialogue continues from 2013. In the context of growing concerns about the economic and social risks of income inequality, in November 2012 we filed a shareholder proposal asking CIBC to evaluate the use of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We filed similar proposals at each of Canada's Big Five banks on this systemic issue. After discussions with the bank, we withdrew the shareholder proposal when it agreed to conduct a review of the issues raised. We provided input from our own research into pay quantum, internal pay equity and income inequality issues. Over the summer of 2013, six Canadian banks commissioned joint research into compensation questions raised in the shareholder proposal.</p> <p>As CIBC was unable to make a commitment before the filing deadline to report back to shareholders in response to our earlier shareholder proposal, we filed a similar proposal in November 2013. We will be meeting with CIBC in January 2014 to discuss the proposal further.</p> <p>We wrote to all the banks in August 2013, asking them to consider publishing their joint research findings to further understanding of this corporate governance topic. In December 2013, a report on the findings was published. It recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation.</p> <p>We voted against the executive compensation plan at the 2013 AGM and wrote to the board in July 2013 to explain the rationale for our decision. We will determine next steps based on the disclosure in the 2014 proxy circular.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
JP Morgan Chase	<ul style="list-style-type: none"> Tactical dialogue 	<p>As part of a management breach investigation, we wrote to JP Morgan in October 2013 asking for improved disclosure on the progress the company is making in implementing new compliance systems and structures following record fines for its involvement in selling mortgage-backed securities as well as for the \$6.2 billion "London Whale" trading loss in 2012.</p> <p>We will be meeting with the company in January 2014 to discuss our concerns and to learn about its ongoing implementation of improved compliance and risk oversight functions.</p>
Laurentian Bank	<ul style="list-style-type: none"> Tactical dialogue 	<p>We will follow up with Laurentian Bank to highlight findings from the Canadian banks' jointly-commissioned research published in December 2013, which recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation.</p>
↗ National Bank of Canada	<ul style="list-style-type: none"> Equitable compensation 	<p>This is a new addition for the 2014 Focus List, following on a tactical engagement in 2013, when National Bank offered dialogue on compensation. In February 2013, we met with company representatives responsible for compensation and corporate governance issues to outline our reasons for voting for the executive compensation package at the 2012 AGM, and areas in which compensation practice could be strengthened.</p> <p>In the context of our wider engagement with Canadian banks, we provided input to the company on our exploration of pay quantum, internal pay equity and income inequality issues. On its own initiative, National Bank joined a group of Canadian banks conducting joint research into compensation questions raised in shareholder proposals we had filed at five of the banks in 2012. We wrote to all the banks in August 2013, asking them to consider publishing the findings to further understanding of this corporate governance topic. In December 2013, a report on the findings was published. It recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation. We will follow up with National in 2014 and determine next steps after reviewing the bank's response to the research, as well as any proposed changes to its compensation plan.</p> <p>On the basis of the latest proxy circular, we were once again able to vote for the company's executive compensation plan at the 2013 AGM. We wrote to the board to explain the rationale for our decision, and received a response in October 2013.</p>
↗ Power Financial	<ul style="list-style-type: none"> GHG emissions and climate policy Enhancing ESG disclosure 	<p>This dialogue continues from 2013. We met with Power Financial representatives for the first time in June 2013 to discuss the Power group's recent efforts to enhance disclosure on ESG issues. In 2013, for the first time, Power Financial responded on an individual company basis to the CDP carbon disclosure request. We will follow up in 2014 to discuss the company's role in advancing climate policy.</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
↗ Royal Bank of Canada	<ul style="list-style-type: none"> • Equitable compensation • GHG emissions, climate policy and energy transition • Preventing tax base erosion • Board diversity leadership 	<p>This dialogue continues from 2013. In the context of growing concerns about the economic and social risks of income inequality, in October 2012 we filed a shareholder proposal asking RBC to evaluate the use of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We filed similar proposals at each of Canada’s Big Five banks on this systemic issue. After discussions with the bank, we withdrew the shareholder proposal when it agreed to conduct a review of the issues raised. We provided input from our own research into pay quantum, internal pay equity and income inequality issues. Over the summer of 2013, six Canadian banks commissioned joint research into compensation questions raised in the shareholder proposal.</p> <p>As RBC was unable to make a commitment before the filing deadline to report back to shareholders in response to our earlier shareholder proposal, we filed a similar proposal in October 2013. We met with the company in December 2013, and were able to withdraw the proposal after receiving a commitment that RBC would report back to shareholders. We will determine next steps in 2014 after reviewing the bank’s response, as well as any proposed changes to its compensation plan.</p> <p>We wrote to all the banks in August 2013, asking them to consider publishing their joint research findings to further understanding of this corporate governance topic. In December 2013, a report on the findings was published. It recommended safeguards to ensure horizontal benchmarking does not lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation.</p> <p>Through compensation changes disclosed in the 2013 proxy circular the bank continued to respond to concerns we had raised in a shareholder proposal filed in 2011. However, we voted against the compensation plan in 2013 because of heightened attention for potentially excessive compensation levels within our proxy voting approach. We wrote to the board to explain our decision, and received a reply inviting further dialogue. Once again, we will determine next steps based on the disclosure in the 2014 proxy circular.</p> <p>As well as continuing our dialogue on compensation, in 2014 we will raise issues including the bank’s role in advancing energy transition and climate policy; the prevention of tax base erosion; and leadership on board diversity. RBC is signatory to the Catalyst Accord (a pledge to achieve female representation on the board of at least 25% by 2017).</p>
↗ TD Bank	<ul style="list-style-type: none"> • Equitable compensation • GHG emissions, climate policy and energy transition • Preventing tax base erosion • Board diversity leadership 	<p>This dialogue continues from 2013. In the context of growing concerns about the economic and social risks of income inequality, in November 2012 we filed a shareholder proposal asking TD Bank to evaluate the use of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We filed similar proposals at each of Canada’s Big Five banks on this systemic issue. After discussions with the bank, we withdrew the shareholder proposal when it agreed to conduct a review of the issues raised. We provided input from our own research into pay quantum, internal pay equity and income inequality issues. Over the summer of 2013, six Canadian banks commissioned joint research into compensation questions raised in the shareholder proposal.</p> <p>We met with TD in November 2013 to determine if the company would be reporting back to shareholders in response to our earlier shareholder proposal. TD confirmed that it would report back, and as a result we did not re-file the proposal. We will determine next steps in 2014 after reviewing the bank’s response, as well as any proposed changes to its compensation plan.</p> <p>We wrote to all the banks in August 2013, asking them to consider publishing their joint research findings to further understanding of this corporate governance topic. In December 2013, a report on the findings was published. It recommended safeguards to ensure horizontal benchmarking does not</p>

↗ Positive Trend |
 → Neutral |
 ↘ Negative Trend |
 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
		<p>lead to excessive pay, and highlighted the potential value of vertical comparisons, such a CEO-to-worker pay ratio, to provide context to the board in setting executive compensation.</p> <p>The 2013 proxy circular demonstrated TD's continuing strength in compensation plan structure and disclosure. On this basis, we were able to vote for the compensation plan, and wrote to the board in July 2013 to explain our decision. Once again, we will determine next steps based on the disclosure in the 2014 proxy circular.</p> <p>As well as continuing our dialogue on compensation, in 2014 we will raise issues including the bank's role in advancing energy transition and climate policy; the prevention of tax base erosion; and leadership on board diversity.</p>