



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	Company Overview	ESG Issues	Dialogue Update	Funds*
Energy				
Apache	Apache Corporation is an oil and gas exploration and production company with operations in the United States, Canada, Egypt, the United Kingdom and North Sea. www.apachecorp.com	<ul style="list-style-type: none"> Hydraulic fracturing Compensation linked to ESG performance 	No update.	Ethical American Multi-Strategy Fund Ethical Global Equity Fund
ARC Resources	ARC Resources Ltd is a conventional oil and gas company with operations in Western Canada. www.arcreources.com	<ul style="list-style-type: none"> Gas development in Northern BC GHG emissions, climate policy and energy transition 	No update.	Ethical Balanced Fund
BG Group	BG Group is an international gas exploration and production and Liquefied Natural Gas (LNG) company. www.bg-group.com	<ul style="list-style-type: none"> Hydraulic fracturing Gas development in Northern BC Unburnable carbon 	No update.	Ethical International Equity Fund

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Cameron	Cameron provides flow equipment products, systems and services to worldwide oil, gas and process industries. www.c-a-m.com	<ul style="list-style-type: none"> • Carbon disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Cameron in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>
CNRL	Canadian Natural Resources Limited (CNRL) is an oil and gas exploration, development and production company with its corporate head office in Calgary, Alberta. www.cnrl.com	<ul style="list-style-type: none"> • Oil sands • Hydraulic fracturing • GHG emissions, climate policy and energy transition • Unburnable carbon • Compensation linked to ESG performance 	<p>We have engaged CNRL for several years on improving the link between ESG performance and executive pay, and reducing the heavy reliance on board discretion in setting pay levels. Based on disclosure in the 2014 proxy circular, the company has made significant improvements in its executive compensation structure, and embraced several of our suggestions, including explicit linkage of a portion of executive pay to performance in reducing the greenhouse gas intensity of its operations. As a result, we were able to vote for the compensation plan for the first time at the 2014 AGM.</p> <p>As part of the collaborative engagement on best practices in unconventional gas operations, we met with the company in April 2014. We learned that CNRL sets internal targets for the recycling of flow-back water and use of non-potable water. The company believes it is more cost-effective to recycle water than to source new water. It noted that a key barrier to improving the use of recycled water is the need to develop fracking fluids that are compatible with recycled water. The company seeks to avoid venting and flaring of gas at new wells by ensuring pipeline infrastructure is in place prior to completion of the well. The investor group encouraged the company to enhance disclosure on implementation of good practices.</p> <p>In May 2014 we met with CNRL to continue discussion of the bitumen leak at its Primrose operation. The company believes the source of the leak has been identified, and that future incidents can be avoided through enhanced monitoring and proactive retrofitting of old, faulty wellbores. The company is waiting for the regulator to issue its report and recommendations. We also discussed the company's approach to the risk that a shift towards a low carbon economy could lead to stranded assets. We urged CNRL to disclose the shadow carbon pricing scenario planning that it undertakes. We queried the high rate of gas venting associated with its heavy oil operations. The company noted it plans to continue ramping up capital spending on projects to reduce venting, based on the success of recent efforts in this area. We encouraged the company to continue to focus on this issue as a way to both reduce emissions and create value. We also asked the company to consider diversifying its asset base through investment in alternative energy opportunities.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>

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Encana	Encana Corporation is a North American producer, transporter and marketer of natural gas, oil and natural gas liquids (NGLs). www.encana.com	<ul style="list-style-type: none"> Hydraulic fracturing Gas development in Northern BC GHG emissions, climate policy and energy transition Unburnable carbon 	No update.	Ethical Global Equity Fund
Ensign Energy Services	Based in Calgary, Ensign Energy Services delivers oilfield services in Canada, the U.S. and internationally. www.ensignenergy.com	<ul style="list-style-type: none"> Carbon disclosure 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Ensign in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.	Ethical Canadian Equity Fund Ethical Special Equity Fund
Mullen Group	Mullen Group provides specialized transportation and related services to the oil and natural gas industry in western Canada. www.mullen-group.com	<ul style="list-style-type: none"> Carbon disclosure 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Mullen Group in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.	Ethical Special Equity Fund
Pason Systems	Pason is a global provider of specialized data management systems for drilling rigs. www.pason.com	<ul style="list-style-type: none"> Carbon disclosure 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Pason Systems in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.	Ethical Special Equity Fund
Pembina Pipeline Corporation	Based in Calgary, Pembina is a pipeline transportation and midstream energy services provider. www.pembina.com	<ul style="list-style-type: none"> Carbon disclosure 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Pembina Pipeline Corporation in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.	Ethical Balanced Fund

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Precision Drilling	Based in Calgary, Precision Drilling provides oilfield services in North America and internationally. www.precisiondrilling.com	<ul style="list-style-type: none"> Carbon disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Precision Drilling in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p>	Ethical Balanced Fund
Range Resources	Range Resources is an independent U.S. natural gas company. www.rangeresources.com	<ul style="list-style-type: none"> Carbon disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Range Resources in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p>	Ethical American Multi-Strategy Fund Ethical Global Equity Fund
Suncor	Suncor Energy Inc. is Canada's largest integrated energy company, focused on development of the Athabasca oil sands. www.suncor.com	<ul style="list-style-type: none"> Oil sands GHG emissions, climate policy and energy transition Unburnable carbon 	<p>In April 2014 we met with Suncor to provide feedback on the development of new environmental performance goals for the company. We urged the company to consider setting goals for the reduction of greenhouse gas (GHG) intensity and for the establishment of new renewable energy projects. As well, we expressed the view that water continues to be a key ESG issue for the company, and that any new corporate-wide targets should address water use.</p> <p>In May 2014 we met with representatives of the company to follow up on Suncor's commitment to disclose carbon pricing scenario planning for the recently-sanctioned Fort Hills oil sands project. The company indicated that it plans to disclose detailed information on the scenario planning in its next sustainability report.</p> <p>As well, we urged the company to consider increasing the visibility and scale of its commitment to support innovative new energy technologies. We encouraged the company to continue to invest in diversifying its energy assets, to ensure it is utilizing current cash flows to gain a strong foothold in the energy market of tomorrow. The company has set up internal teams to assess these opportunities and anticipates that it will collaborate with peers and companies in other industries to develop them further. The company agreed that it could do more to highlight its work in this area to investors, and indicated that that it would consider our request to enhance this aspect of its business.</p> <p>We have been engaging oil and gas companies for several years on the importance of providing disclosure on their public policy positions. From our perspective, Suncor now provides disclosure that sets an example of transparency for the industry. In particular, the company expresses support for setting a price on carbon.</p>	Ethical Balanced Fund Ethical Canadian Equity Fund

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Total	Based in France, Total is one of the world's largest integrated oil and gas companies, and is also involved in chemicals and new energy sources. www.total.com	<ul style="list-style-type: none"> Hydraulic fracturing 	As part of the collaborative engagement on best practices in unconventional gas operations, we met with the company in June 2014. We discussed Total's approach to ensuring operating partners undertaking fracking meet its own global standards. We encouraged the company to promote cumulative effects management and regional strategic environmental assessment in areas with high density of operations.	Ethical International Equity Fund
Tourmaline Oil Corporation	Tourmaline is a Canadian oil and natural gas exploration and production company. www.tourmalineoil.com	<ul style="list-style-type: none"> Carbon disclosure 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Tourmaline Oil Corporation in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.	Ethical Balanced Fund
Materials				
Barrick Gold	Barrick Gold is the world's largest gold producer, operating mines and advanced exploration and development projects on four continents. www.barrick.com	<ul style="list-style-type: none"> Respecting human rights 	Following our earlier meetings with Barrick Gold to discuss improving disclosure on its human rights impact assessment process, in May 2014 the company released an enhanced disclosure document that incorporated some of our suggestions.	Ethical Canadian Equity Fund
Boart Longyear	Operating worldwide, Boart Longyear is an integrated drilling services and products provider. www.boartlongyear.com	<ul style="list-style-type: none"> Carbon disclosure 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Boart Longyear in April 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.	Ethical Global Dividend Fund
Domtar	Domtar Corporation is the largest integrated producer of uncoated freesheet paper in North America and the second largest in the world based on production. www.domtar.com	<ul style="list-style-type: none"> GHG emissions and climate policy Sustainable forest products 	No update.	Ethical Canadian Equity Fund

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Goldcorp	Goldcorp is a gold producer headquartered in Vancouver, engaged in gold mining and related activities including exploration, extraction, processing and reclamation. www.goldcorp.com	<ul style="list-style-type: none"> Respecting human rights 	We met with Goldcorp in April 2014 for further discussions on the potential for the company to perform a follow-up to the human rights impact assessment (HRIA) of its Marlin mine. We also discussed how the company plans to incorporate to its practice the new International Council on Mining and Metals (ICMM) Position Statement on Indigenous Peoples and Mining. The statement requires member companies to embrace the concept of free, prior and informed consent (FPIC). We suggested that some of the company's proposed exploration and expansion projects would be good candidates to pilot its approach to FPIC. The company agreed to consider our suggestions.	Ethical Canadian Equity Fund
LyondellBasell Industries	LyondellBasell Industries is a global plastics, chemicals and refining company. www.lyondellbasell.com	<ul style="list-style-type: none"> Carbon disclosure 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to LyondellBasell Industries in April 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.	Ethical Balanced Fund
Potash Corp	Potash Corp is the world's largest fertilizer company by capacity, producing the three primary crop nutrients: potash, nitrogen and phosphate. www.potashcorp.com	<ul style="list-style-type: none"> Respecting human rights 	This dialogue was added during 2014 in response to portfolio changes. Following up on our earlier dialogue, in May 2014 we joined an international collaborative engagement focused on human rights risks relating to Potash Corp's sourcing relationship with OCP in the disputed territory of Western Sahara. The collaboration wrote to the company, asking it to commission an independent human rights assessment in Western Sahara, and requesting a meeting to discuss this request.	Ethical Global Equity Fund
Winpak	Winpak manufactures and distributes packaging materials and packaging machines. Winpak is part of a global packaging group that operates ten production facilities in Canada, the United States and Mexico. www.winpak.com	<ul style="list-style-type: none"> GHG emissions and climate policy Sustainable packaging Enhancing ESG disclosure 	No update.	Ethical Special Equity Fund

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Utilities				
Canadian Utilities/ATCO	<p>Canadian Utilities Limited, an ATCO company, operates worldwide through companies engaged in utilities, energy, structures & logistics and technologies.</p> <p>www.canadianutilities.com</p>	<ul style="list-style-type: none"> GHG emissions, climate policy and energy transition Enhancing ESG disclosure 	<p>We met with Canadian Utilities/ATCO in April 2014 to discuss how it is planning for a low carbon future. The company affirmed that it will not be building any new coal projects, and that continuing operation the two coal existing projects is under assessment. The company indicated that it is not pursuing wind or solar projects at this time, but is instead looking to replace coal-fired generation with natural gas in the short term. The company's long-term strategy is to push for development of hydropower assets in Northern Alberta and establish a "green corridor" for transmission of this power to the rest of Alberta. It is in discussions with First Nations and government to promote this concept. We emphasized our support for investment in low-carbon power production, and urged the company to assess the risks and opportunities associated with developments in distributed energy.</p>	Ethical Canadian Equity Fund
Healthcare & Pharmaceuticals				
Johnson & Johnson	<p>Johnson & Johnson is an American multinational medical devices, pharmaceutical and consumer packaged goods manufacturer founded in 1886.</p> <p>www.jnj.com</p>	<ul style="list-style-type: none"> Compensation linked to ESG performance 	No update.	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>
IT & Telecommunications				
Apple	<p>Apple Inc. is a multinational corporation, based in California, which designs, develops, and sells consumer electronics, software, online services and computers.</p> <p>www.apple.com</p>	<ul style="list-style-type: none"> Carbon disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Apple in 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>

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CGI	<p>CGI Group Inc. is a multinational information technology consulting, systems integration, outsourcing, and solutions company headquartered in Montreal, Canada</p> <p>www.cgi.com</p>	<ul style="list-style-type: none"> • Enhancing ESG disclosure • GHG emissions and climate policy • Respecting privacy and human rights 	<p>In May 2014 we met with CGI for the first time to discuss the company's policies and practices relating to climate change, and the potential for enhancement of its corporate responsibility reporting.</p> <p>We followed up on our earlier feedback on CGI's first CSR report, providing our perspective on how the company could optimize reporting for use by ESG analysts.</p> <p>Following the Logica acquisition, the company has made significant progress in measuring and reporting on its own carbon footprint. We asked CGI to consider establishing targets for emissions performance. CGI reports on how its services allow clients to enhance their own environmental performance, and we encouraged the company to provide context on the significance of these services within its long-term business strategy.</p> <p>CGI's response to the CDP climate disclosure questionnaire was the most improved among the Canada 200 companies in 2013. While congratulating the company, we urged it to make the response public in 2014. We also discussed the scope and limitations for companies providing IT services to governments to lobby actively on public policy issues such as climate change.</p> <p>In addition, we outlined our interest in exploring further with the company how the UN Guiding Principles on Business and Human Rights might have application in the context of IT services, and the implications of the current global debate on digital privacy for companies involved in IT projects for government clients.</p>	Ethical Canadian Equity Fund
Google	<p>Google is an American multinational corporation specializing in Internet-related services and products including, search, cloud computing, software, and online advertising technologies.</p> <p>www.google.com</p>	<ul style="list-style-type: none"> • Preventing tax base erosion 	<p>We presented the co-filed shareholder proposal on responsible tax policy at the Google AGM in May 2014. The proposal received 1% support, representing approximately 4% of the votes not controlled by management, with a further 21% abstention rate among the independent shareholders – demonstrating considerable uncertainty among investors about the issues raised.</p> <p>After the AGM, Google agreed to our request to discuss the issues raised in the proposal. Alongside the lead filer, we participated in an initial meeting with a Google representative in late May 2014. We stressed that investors are unable to assess the potential financial risks of Google's tax approach based on current disclosure. We also questioned whether aggressive tax strategies that undermine the ability of governments to provide basic services are compatible with Google's founding principle, "Don't be evil".</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>

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Telecommunication Services				
Manitoba Telecom	<p>Manitoba Telecom Services, or MTS, is the primary telecommunications carrier in the Canadian province of Manitoba and the fourth largest telecommunications provider in Canada.</p> <p>www.mts.ca</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Enhancing ESG disclosure 	<p>We met with MTS in June 2014 to discuss ESG disclosure, climate change, proxy voting, and emerging communications stewardship issues.</p> <p>The company recently published its first full sustainability report, based on the GRI Guidelines. MTS was also profiled in the 2013 CDP Canada report as one of the companies with most-improved disclosure. We provided feedback, highlighting possible areas for enhancement of reporting.</p> <p>MTS has already met its 2020 greenhouse gas emissions reduction target. We encouraged the company to consider establishing new, more challenging targets. We also asked MTS to explore further ways to proactively assist customers and clients to reduce their own emissions. We discussed the potential for communications companies to benefit from a low-carbon economy, and the role they might play in advancing progressive public policy on climate change.</p> <p>We outlined the rationale for our voting at the 2014 AGM, including our vote against the compensation plan. We also shared perspectives on diversity disclosure, and received feedback from MTS on our proxy voting guidelines. Based on this discussion and further research, we decided to amend our compensation committee guidelines.</p> <p>In the context of emerging concerns about communications privacy, we discussed MTS' first transparency report on government and law enforcement requests. We encouraged MTS to include tracking of requests refused. We also provided briefing on our work on tax base erosion.</p>	Ethical Special Equity Fund
Rogers	<p>Rogers Communications is a diversified Canadian communications and media company that operates in the field of wireless communications, cable television, telephone and internet connectivity</p> <p>www.rogers.com</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Communications stewardship 	No update.	Ethical Balanced Fund Ethical Canadian Equity Fund

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TELUS	Telus is a national telecommunications company in Canada that provides a wide range of telecommunications products and services including internet access, voice, entertainment, healthcare, video, and satellite television. www.telus.com	<ul style="list-style-type: none"> • GHG emissions and climate policy • Communications stewardship • Equitable compensation • Board diversity leadership 	No update.	Ethical Balanced Fund Ethical Canadian Equity Fund
Consumer				
Canadian Tire	Canadian Tire Corporation, Limited is a general retailer offering everyday products and services through more than 1,700 retail and gasoline outlets across Canada. www.canadiantire.ca	<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>In June 2014, we met with company representatives to deepen our dialogue on supply chain risk mitigation practices. Canadian Tire confirmed that it has adopted a harmonized supplier code of conduct for all the company banners. The company also provided an update on its active participation in the Alliance for Bangladesh Worker Safety. It is clear that Canadian Tire has mechanisms in place to address systemic risks in its global supply chain, but we urged the company to increase the level of disclosure on supply chain management policies and practices.</p> <p>The company indicated that it was aligned with the Retail Council of Canada in its approach to cotton sourcing, and that vendors were asked to avoid Uzbek cotton, because of the associated human rights and labour rights controversies.</p> <p>Canadian Tire has a compelling approach to climate risk, quantifying the business impacts of emissions reductions and embracing shadow carbon pricing. We encouraged the company to take a more public role in advancing progressive policy on climate change.</p> <p>We also encouraged the company to enhance the scope, detail and timeliness of reporting on all key ESG performance issues. The company recognizes that this is an area for improvement.</p>	Ethical Canadian Equity Fund
Coca Cola	The Coca-Cola Company is an American multinational beverage corporation and manufacturer, retailer and marketer of non-alcoholic beverage concentrates and syrups. www.coca-cola.com	<ul style="list-style-type: none"> • Food system sustainability and access to nutrition • Equitable compensation linked to ESG performance 	No update.	Ethical American Multi-Strategy Fund Ethical Global Equity Fund

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Dollarama	Dollarama is the leading dollar store operator in Canada. www.dollarama.com	<ul style="list-style-type: none"> • Carbon disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Dollarama in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p>	Ethical Balanced Fund
Empire	Empire Company Limited is a Canadian conglomerate engaged mostly in food retail and corporate investments. The company is headquartered in Stellarton, Nova Scotia. Empire owns the Sobeys supermarket chain. www.empireco.ca	<ul style="list-style-type: none"> • GHG emissions and climate policy • Food system sustainability and access to nutrition 	No update.	Ethical Canadian Equity Fund Ethical Special Equity Fund
Kraft Foods	Kraft Foods Group Inc. is an American grocery manufacturing and processing conglomerate headquartered in the Chicago suburb of Northfield, Illinois. www.kraftfoodsgroup.com	<ul style="list-style-type: none"> • Food system sustainability and access to nutrition • Enhancing ESG disclosure 	This dialogue was paused in response to portfolio changes.	
Loblaw	Loblaw Companies Limited is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services. www.loblaw.ca	<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 	Dialogue paused.	

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Lululemon Athletica	<p>Lululemon Athletica Inc. is a yoga-inspired athletic apparel company, which produces a clothing line and runs international clothing stores from its base in Vancouver.</p> <p>www.lululemon.com</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Worker safety in the supply chain • Enhancing supply chain disclosure 	<p>We met with Lululemon in April 2014 to follow up on our earlier engagement on supply chain issues. The company explained that while it agrees with the intent of both of the multi-stakeholder initiatives addressing factory building safety in the Bangladeshi supply chain, it decided not to participate in either. It believes that its efforts to ensure compliance with its Vendor Code of Ethics, and its strategy of building long term relationships with a small number of suppliers, are commensurate with the risk mitigation objectives of those initiatives. We reiterated the need for the company to strengthen its disclosure to clearly articulate how its risk mitigation practices meet or exceed the attributes of the Accord on Fire and Building Safety in Bangladesh.</p> <p>Following our discussions, the company published on its website new disclosure on supply chain management practices. Notably, the company provided some detail on its approach to auditing supplier compliance with its Vendor Code of Ethics, as well as its approach to mitigating risks in particularly volatile jurisdictions. We wrote to Lululemon in June 2014 acknowledging these efforts and made further recommendations to address the remaining disclosure gaps. Specifically, we encouraged Lululemon to provide details on the results of supplier audits, major areas of non-compliance and significant remediation activities. We also encouraged the company to provide more information the risk mitigation benefits of long-term relationships with suppliers.</p>	Ethical Global Equity Fund
Magna International	<p>Magna is a leading global automotive supplier with 316 manufacturing operations and 84 product development, engineering and sales centres in 29 countries.</p> <p>www.magna.com</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Enhancing ESG disclosure • Equitable compensation 	<p>This dialogue was resumed in response to portfolio changes.</p>	Ethical Balanced Fund

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Metro	<p>Metro Inc. is a food retailer operating in the provinces of Quebec and Ontario, based in Montreal.</p> <p>www.metro.ca</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Food system sustainability and access to nutrition 	<p>We met with Metro representatives in May 2014 to discuss ESG reporting, access to nutrition, supply chain management and climate strategy.</p> <p>Metro runs a variety of nutrition-related marketing and community investment initiatives, and we encouraged the company to ensure that better nutrition is promoted under both premium and low-cost grocery banners. We briefed the company on the Access to Nutrition Index investor initiative. Its preliminary focus for responsible supply chain management has been on issues such as local sourcing and fisheries sustainability. Given the deforestation risks, the company addresses palm oil sourcing in requests for proposals for manufacture of private brands, but has assessed its palm oil exposure to be relatively low. We urged the company to expand the scope of analysis in future to include labour standards in the agriculture and fisheries supply chain, and outlined ongoing investor collaborations in this area. Metro has set energy use targets, and noted that climate and energy issues were an area of focus and collaboration for retail industry associations. We urged the company to make its CDP carbon disclosure response public.</p> <p>We agreed to review Metro 's latest corporate responsibility report, which was issued later in the month. The company has chosen not to use the GRI framework: we indicated our preference for reports based on GRI guidelines.</p>	Ethical Canadian Equity Fund
Rational	<p>Headquartered in Germany, Rational is a specialist provider of hot food preparation equipment for professional kitchens.</p> <p>www.rational-online.com</p>	<ul style="list-style-type: none"> • Carbon disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote to Rational in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p>	Ethical International Equity Fund
Industrials				
Caterpillar	<p>Caterpillar manufactures construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives.</p> <p>www.caterpillar.com</p>	<ul style="list-style-type: none"> • Carbon disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote Caterpillar in April 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.</p>	Ethical Global Dividend Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
CN Rail	<p>The Canadian National Railway Company, headquartered in Montreal, serves Canada and the Midwestern and Southern United States.</p> <p>www.cn.ca</p>	<ul style="list-style-type: none"> • Oil-by-rail • GHG emissions and climate policy • Aboriginal relations • Board diversity leadership 	<p>We met with CN in May 2014, primarily to discuss safety issues relating to the transport of crude oil by rail, and how the company could enhance its sector leadership position on climate issues.</p> <p>CN has increased the scope and prominence of its disclosures on safety over the past year, since the Lac-Mégantic disaster drew the spotlight onto all companies involved in oil-by-rail. Crude oil shipments represent a small but fast-growing part of CN's business. We learned more about the company's efforts and investments to improve safety in areas within its direct control, such as track quality, incentives for using improved tank cars, routings for dangerous goods, operating protocols and community disaster preparedness. Given specific safety concerns about Bakken crude, we encouraged CN to disaggregate data within its reporting to allow stakeholders to understand the extent of the company's exposure to various types of oil that may pose different transportation risks. We expressed concern about the reliability of information provided to rail and pipeline companies by shippers regarding the characteristics and risks of crude shipments. We discussed the potential to disclose on leading indicators of safety, including metrics from CN's safety culture program. CN also explained in more detail how safety metrics are linked to compensation at all levels of the company.</p> <p>CN sets out a clear strategy in its reporting on mitigating the risks of climate change, and has made significant efforts to increase locomotive fuel efficiency and reduce emissions. We discussed the emerging practice among leading companies of using shadow carbon pricing to drive efficiency efforts. The company has engaged with governments at various levels on the promotion of rail as a more sustainable form of transport, and on the need for clear direction on climate policy.</p> <p>We provided suggestions on how CN could optimize corporate responsibility reporting for use by ESG analysts. CN's latest "Delivering Responsibly" report follows the new GRI G4 Guidelines, and introduced a stakeholder engagement process. It now incorporates limited assurance of locomotive emissions data – its biggest direct climate impact. In the context of our 2013 discussions on Aboriginal relations, we were pleased to see more detail on this issue compared to the previous report. However, we stressed the importance of providing timely information and annual updates on key metrics if full CSR reports are published on a two-year schedule.</p> <p>We had a further meeting with CN in June 2014 to learn more about the company's Aboriginal relations strategy, against the background of the historic Supreme Court ruling on Aboriginal title. We welcomed new disclosures on Aboriginal relations in corporate responsibility reporting, and provided feedback on areas for potential disclosure enhancement. The company recently approved and published its Aboriginal Vision statement, and described efforts to implement it both internally and externally, which embrace training, recruitment and supply management. We also discussed CN's engagement with tribal governments in the U.S.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Joy Global	Joy Global manufactures and markets equipment, parts and services for the mining industry. www.joyglobal.com	<ul style="list-style-type: none"> Carbon disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>As an investor member of CDP, we are engaging companies in potentially high emissions sectors that are not yet responding to the CDP carbon disclosure survey. We wrote Joy Global in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>
Misumi	Misumi Group Inc., headquartered in Tokyo, operates businesses including factory automation, die components, electronics and machine tools. www.misumi.co.jp	<ul style="list-style-type: none"> GHG Emissions and climate policy 	No update.	Ethical International Equity Fund
Ryanair	Ryanair is an Irish low-cost airline carrier operating more than 1,600 daily flights in over 29 countries. www.ryanair.com	<ul style="list-style-type: none"> GHG emissions and climate policy Enhancing ESG disclosure 	No update.	<p>Ethical Global Equity Fund</p> <p>Ethical International Equity Fund</p>
Vesuvius	Vesuvius provides engineering services and solutions worldwide, principally for the steel and foundry industries, and is headquartered in London, U.K. www.vesuvius.com	<ul style="list-style-type: none"> GHG emissions and climate policy Respecting human rights 	<p>Following up on earlier engagement, we assessed Vesuvius' new disclosure on its human rights policy. Although the policy described now meets our basic expectations for a company in this sector, the disclosure and scope do not represent best practice in the context of the UN Guiding Principles on Business and Human Rights. We wrote to Vesuvius in June 2014 to provide feedback and encourage the company to continue improving disclosure on its human rights policy and due diligence processes.</p>	Ethical Global Dividend Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Financials				
Bank of Montreal	BMO Financial Group is a financial services provider that serves more than 12 million personal, commercial, corporate and institutional customers in North America and internationally. www.bmo.com	<ul style="list-style-type: none"> Equitable compensation 	No update.	Ethical Balanced Fund NEI Canadian Bond Fund
Bank of Nova Scotia	Scotiabank is a leading financial services provider in over 55 countries and is Canada's most international bank. www.scotiabank.com	<ul style="list-style-type: none"> Equitable compensation GHG emissions, climate policy and energy transition Preventing tax base erosion Board diversity leadership 	We participated once again in BNS' stakeholder panel discussions in May 2014. We shared our perspectives on equitable compensation, climate policy and the energy transition, as well as the importance of diversity and responsible tax policies. We commended the bank for reaching out to stakeholders across key geographical areas of its operations.	Ethical Balanced Fund Ethical Canadian Equity Fund NEI Canadian Bond Fund
Canadian Western Bank	Canadian Western Bank and its operating affiliates offer a diversified range of financial services. www.cwbankgroup.com	<ul style="list-style-type: none"> Equitable compensation linked to ESG performance 	<p>This dialogue was added during 2014 as part of our "Feedback on Pay" initiative, through which we provide companies with background on the rationale for our "Say on Pay" vote.</p> <p>In June 2014, we wrote to the CWB board letter to explain our rationale for voting against the executive compensation plan at the 2014 AGM. We commended the bank for adopting performance share units for its long-term incentive plan; however, we still believe the proportion of performance based awards is insufficient and had concerns over the use of tax gross-ups for a retirement award for the former CEO. In context of our work on equitable compensation, we sought more detail on CWB's disclosure that internal equity considerations are taken into account for annual increases in executive salaries.</p>	Ethical Special Equity Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
CIBC	CIBC is a leading Canadian-based financial institution and provides a full suite of financial products and services in Canada and around the world. www.cibc.com	<ul style="list-style-type: none"> Equitable compensation 	No update.	Ethical Balanced Fund NEI Canadian Bond Fund
Industrial Alliance	Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company and financial group, with operations across Canada and in the United States. www.inalco.com	<ul style="list-style-type: none"> Enhancing ESG disclosure 	No update.	Ethical Canadian Equity Fund Ethical Special Equity Fund
JP Morgan Chase	JPMorgan Chase & Co. is a leading global financial services firm and one of the largest banking institutions in the United States, with operations worldwide. www.jpmorganchase.com	<ul style="list-style-type: none"> Systemically-important financial institutions 	Dialogue paused.	
Laurentian Bank	Laurentian Bank of Canada is a Quebec banking institution operating across Canada, providing a full suite of financial products. www.laurentianbank.com	<ul style="list-style-type: none"> Equitable compensation linked to ESG performance 	<p>This dialogue was added during 2014 as part of our “Feedback on Pay” initiative, through which we provide companies with background on the rationale for our “Say on Pay” vote.</p> <p>We wrote to the board of Laurentian Bank in June 2014, explaining our rationale for supporting the executive compensation plan at the 2014 AGM. We nevertheless expressed concern over the lack of explanation for the decision to change the performance metric used in determining the annual bonus. We also shared our views on emerging best practices in disclosing company efforts in the area of equitable compensation.</p>	Ethical Special Equity Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
National Bank of Canada	The National Bank of Canada is a full service Canadian commercial bank headquartered in Montreal Canada. www.nbc.ca	<ul style="list-style-type: none"> • Equitable compensation 	<p>We wrote to the board of National Bank in June 2014, providing our rationale for supporting the executive compensation plan at the 2014 AGM, and providing suggestions on aspects of the plan that could be improved.</p> <p>We also met with the bank in June 2014 to discuss equitable compensation. We commended the bank for joining peers in research exploring horizontal and vertical benchmarking in 2013, discussed a variety of approaches to enhancing disclosure on equitable compensation, and encouraged it to consider the possibility of disclosing vertical metrics in future.</p>	Ethical Canadian Equity Fund
Power Financial	Power Financial Corporation is a diversified management and holding company that has interests in companies in the financial services sector in Canada, the US and Europe. www.powerfinancial.com	<ul style="list-style-type: none"> • GHG emissions and climate policy • Enhancing ESG disclosure 	No update.	Ethical Canadian Equity Fund
Royal Bank of Canada	Royal Bank is Canada's largest company by market capitalization, providing personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. www.rbc.com	<ul style="list-style-type: none"> • Equitable compensation • GHG emissions, climate policy and energy transition • Preventing tax base erosion • Board diversity leadership 	<p>We met with the RBC in May 2014 to discuss board governance and diversity. We also discussed our approach to proxy voting based upon our new guidelines.</p> <p>We also sent the bank a feedback on pay letter in May 2014, outlining why we supported the compensation package. While we commended the bank for its disclosure on equitable compensation, we also asked for its general view on tax sensitive metrics used in executive pay, as well as future plans for enhanced disclosure on pay equity.</p> <p>Also in May 2014, we continued discussions with RBC on the role of banks and investors in advancing the clean energy transition.</p>	Ethical Balanced Fund NEI Canadian Bond Fund
TD Bank	TD Bank Group, headquartered in Toronto with offices around the world, offers a full range of financial products and services. www.td.com	<ul style="list-style-type: none"> • Equitable compensation • GHG emissions, climate policy and energy transition • Preventing tax base erosion • Board diversity leadership 	No update.	Ethical Balanced Fund Ethical Canadian Equity Fund NEI Canadian Bond Fund

Collaborative Engagement

- We are participating in a collaborative engagement to promote improved performance and adoption of best practices in unconventional gas operations. We participated in calls with CNRL and Total to discuss policies, practices and disclosure on fracking.
- We are participating in a collaborative engagement to enhance labour standards in the agricultural supply chain of food and beverage manufacturers and retailers. We participated in a good practice call with Unilever in May 2014.
- We are participating in a collaborative engagement to address risks relating to use of nanotechnology in food and consumer products, targeting companies including Anheuser Busch, Brenntag AG, Coca-Cola, Nestle and Yum Brands.
- We are participating in a collaborative engagement to encourage major U.S. financial institutions to implement significant changes in their corporate culture to mitigate systemic risks to the global financial system, coordinated by ICCR.
- We were signatory to a letter to solar photo-voltaic manufacturers, encouraging them to participate in the Silicon Valley Toxics Coalition's Solar Scorecard- a survey exploring use of toxic chemicals, recycling, and responsible supply chain practices.

Public Policy & Standards

- As a holder of Government of Canada fixed income instruments, we provided an investor perspective on several federal policy initiatives on ESG issues.
 - Following up on earlier efforts, in May 2014 we submitted comments to Natural Resources Canada on the federal government's proposed framework for extractives transparency reporting. We welcomed the integration of recommendations from the multi-stakeholder Resource Revenue Transparency Working Group, but cautioned that mandatory reporting of payments to Aboriginal and Indigenous communities should be phased in, with due consultation.
 - In May 2014 we participated in Industry Canada's consultation on the review of the Canada Business Corporations Act (CBCA), a key document governing corporate behaviour and shareholder rights. We called for clarification of the purpose of the corporation, focusing on the imperative of creating long-term sustainable value for all stakeholders, including shareholders; for integration of the corporate "responsibility to respect" human rights set out in the 2011 UN Guiding Principles; for fair and consistent reporting of the outcomes of shareholder votes; and for basic ESG disclosure to become mandatory, at least for larger companies.

- We participated in the Ontario Securities Commission (OSC) consultation on disclosure requirements on board diversity in April 2014. While welcoming the proposals on gender diversity, we called on OSC to consider expanding the scope of diversity efforts to embrace other aspects of identity diversity, as well as diversity of expertise.
- In April 2014 we joined the Canadian Energy Pipeline Association (CEPA) consultation on the Integrity First program, asking for transparent disclosure on spills and leaks performance of CEPA members, and for establishing expectations on pipeline integrity management standards and practices.
- We joined fellow signatories of the Extractive Industries Transparency Initiative (EITI) in writing to the U.S. Securities and Exchange Commission (SEC) in April 2014, expressing support for the implementation of Section 1504 of the Dodd-Frank Act, a requirement for disclosure of payments to host governments by extractives companies. The SEC has faced pressure from some U.S. industry groups that oppose the transparency requirement, so we wished to emphasize that investors see long-term value in revenue transparency.
- As part of our wider effort to enhance the integrity of the proxy voting system, writing to the Canadian Securities Administrators in June 2014 to caution against providing national guidance for proxy advisory firms until the results of the international industry best practices initiative have been evaluated.
- We continued to participate actively as a lead investor in the Sustainable Stock Exchanges collaborative engagement, urging stock exchanges worldwide to adopt listing standards that would require all public companies to disclose on key ESG risks and opportunities. In June 2014 TSX launched a new sustainability-themed index, the S&P/TSX 60 ESG Index.

* Corporate engagement dialogues target the holdings of Ethical Funds. Dialogues may start, pause or resume as holdings are purchased and sold. Holdings are subject to change and there is no guarantee at the time of reading engagement updates that any company referenced is a current holding of Ethical Funds.

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