



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	<p>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.</p> <p>www.apachecorp.com</p>	<ul style="list-style-type: none"> Hydraulic fracturing Compensation linked to ESG performance 	<p>This dialogue continued from 2013.</p> <p>We are participating in a collaborative engagement to promote improved performance and adoption of best practices in unconventional gas operations. In early 2014 the collaboration wrote to Apache to request a meeting to discuss these issues.</p> <p>We voted for the Apache compensation plan at the 2014 AGM, as the company had implemented several suggestions made in our earlier feedback. In particular, the company greatly improved linkage of pay to performance, made explicit linkage of pay to ESG performance, and reduced use of compensation-inflating options. We wrote to the board in August 2014 to welcome these changes, and provided further suggestions for enhancement of the company's pay practices. The company indicated it would respond to our letter.</p> <p>In November 2014 Apache sent a detailed response to our letter providing feedback on the executive compensation plan. The company indicated that it appreciated our input, was actively considering the issues raised, and it expressed interest in continuing dialogue on best practices.</p> <p>Through the collaborative engagement, calls were undertaken with Apache to discuss policies, practices and disclosure on fracking.</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>
ARC Resources	<p>ARC Resources Ltd is a conventional oil and gas company with operations in Western Canada.</p> <p>www.arcresources.com</p>	<ul style="list-style-type: none"> Gas development in Northern BC GHG emissions, climate policy and energy transition 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>In January 2014 we met with ARC Resources to discuss the company's climate change strategy. The company explained its perspective that GHG emissions are potential costs, in terms of energy wasted, so efforts to reduce emissions represent economic as well as environmental gains. ARC ring-fences an annual budget for emissions reduction projects, so these initiatives do not have to compete with other high-return projects.</p>	<p>Ethical Balanced Fund</p>

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			<p>Responding to our concerns about flaring and venting in unconventional gas development, the company took the position that reducing flaring and venting is integral to maintaining social license, regardless of regulation. We encouraged the company to be more vocal about the need for progressive climate policy and to disclose in more detail how it assesses future carbon pricing impacts. We agreed to meet later in the year to discuss the issue of cumulative impacts of gas development in north-east BC.</p> <p>In October 2014 we met with ARC Resources to discuss innovation, water management, carbon disclosure leadership, and integrated land use planning in Northern BC. We encouraged the company to continue driving internal efficiency and innovation through the Eco-efficiency Fund, as well as to continue implementing a water management strategy as a key risk mitigation action. We shared our perspective that cumulative effects in Northern BC were not yet integrated effectively into regional development plans.</p> <p>In November 2014 the company requested feedback on its sustainability report.</p>	
BG Group	<p>BG Group is an international gas exploration and production and Liquefied Natural Gas (LNG) company.</p> <p>www.bg-group.com</p>	<ul style="list-style-type: none"> Hydraulic fracturing Gas development in Northern BC Unburnable carbon 	<p>This dialogue, paused during 2013, was resumed in 2014 in response to portfolio changes.</p> <p>We are participating in a collaborative engagement to promote improved performance and adoption of best practices in unconventional gas operations. In early 2014 the collaboration wrote to BG Group to request a meeting to discuss these issues.</p> <p>The collaborative engagement group met with BG Group in July 2014, encouraging the company to enhance practices and performance to mitigate the risks associated with unconventional gas operations.</p>	Ethical International Equity Fund
Cameron	<p>Cameron provides flow equipment products, systems and services to worldwide oil, gas and process industries.</p> <p>www.c-a-m.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 Cameron in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p> <p>We wrote to Cameron in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>

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CNRL	<p>Canadian Natural Resources Limited (CNRL) is an oil and gas exploration, development and production company with its corporate head office in Calgary, Alberta.</p> <p>www.cnrl.com</p>	<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>This dialogue continued from 2013.</p> <p>In January 2014 we met with CNRL's Chief Financial Officer to get a further update on the bitumen seepage at the Primrose in situ oil sands project, and to discuss the company's position on climate policy for Canada and Alberta. The company indicated that the bitumen seepage continues but had been contained, and that it was working with the regulator on a plan to address the problem; at that time it projected spending of close to \$100 million in remediation and mitigation measures. Primrose continues to face operating restrictions, and we are monitoring progress on this issue. The company agreed that the current lack of clarity on climate policy in Canada was negatively impacting the industry, and took note of our concern that it should be more vocal on the issue.</p> <p>We are participating in a collaborative engagement to promote improved performance and adoption of best practices in unconventional gas operations. In early 2014 the collaboration wrote to CNRL to request a meeting to discuss these issues.</p> <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 was waiting for the regulator to issue its report and recommendations.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>

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			<p>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>We continued to monitor the bitumen leak at CNRL's Primrose in-situ oil sands site. The final report of an independent panel on the incident was expected in early 2015. The preliminary report suggested the problem may have been more serious than first reported. We had encouraged transparency about the investigation and in general we were satisfied with the improved quality of disclosure, although we remained concerned about the causes of the bitumen leak.</p>	
Encana	<p>Encana Corporation is a North American producer, transporter and marketer of natural gas, oil and natural gas liquids (NGLs). www.encana.com</p>	<ul style="list-style-type: none"> • Hydraulic fracturing • Gas development in Northern BC • GHG emissions, climate policy and energy transition • Unburnable carbon 	<p>Since its strategic realignment in 2013, Encana has committed to the development of a new sustainability strategy to guide its ESG efforts. We met with the company in August 2014 to discuss its progress on the strategy. The strategy has yet to be finalized, and Encana expressed interest in external feedback before it is sent to the board. We emphasized the materiality of carbon and methane emissions to its sustainability performance and encouraged the company to show leadership on this front. We stressed the relevance of the company's Environmental Innovation Fund to long-term risk mitigation. As well, we suggested Encana could derive value from a formal stakeholder panel. We also continued our dialogue on play-based disclosure, and committed to provide further feedback on the type of disclosure we are seeking.</p> <p>We voted against the company's executive compensation plan at the 2014 AGM and wrote to the compensation committee in September 2014 to explain our rationale. We have been in dialogue with the company on executive compensation for a number of years. While we have seen progress on several issues, including linkage of compensation to ESG performance, we continue to have some concerns about the structure of compensation at the company.</p> <p>We met with Encana in October 2014 to discuss its community engagement performance in Northern BC, get updates on the new sustainability strategy, and urge the company to continue with the Environmental Innovation Fund.</p>	<p>Ethical Global Equity Fund</p>

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			<p>The company acknowledged some difficulties with local First Nations about the granting of a water license, but gave assurances of ongoing consultation and engagement towards a resolution. The company explained that it would continue to support the Environmental Innovation Fund but with a changing focus towards identifying and enabling opportunities to drive operational efficiency rather than direct investment in companies. We urged Encana to consider increasing the size of the fund.</p> <p>In December 2014 the compensation committee chair provided a detailed response to our earlier letter of feedback on the Encana compensation framework. The company continues to value our input and asked for further dialogue to better understand our perspective on issues such as pay equity and responsible tax practices.</p>	
Eni	<p>Headquartered in Italy, Eni is a global integrated oil and gas company with interests in oil and gas production, electricity generation, petrochemicals, oilfield services and construction and engineering.</p> <p>www.eni.com</p>	<ul style="list-style-type: none"> • Hydraulic fracturing • Arctic exploration 	<p>We are participating in a collaborative engagement to promote improved performance and adoption of best practices in unconventional gas operations. In July 2014 the collaboration met with Eni to explore this topic.</p> <p>We joined a further collaboration that wrote to Eni in September 2014 to ask how the company plans to address the risks associated with its proposed Arctic offshore exploration. We requested a meeting to discuss the issue further.</p> <p>In November 2014 Eni responded to the earlier letter from the Arctic collaborative engagement. The company provided details on how it is addressing special risks associated with the Arctic and confirmed that it only considered offshore operations in ice-free regions. The company agreed to meet to discuss our follow-up questions.</p> <p>This dialogue was paused in response to portfolio changes.</p>	
Ensign Energy Services	<p>Based in Calgary, Ensign Energy Services delivers oilfield services in Canada, the U.S. and internationally.</p> <p>www.ensignenergy.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 Ensign in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p> <p>We wrote to Ensign in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p>	<p>Ethical Canadian Equity Fund</p> <p>Ethical Special Equity Fund</p>

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Gibson Energy	Gibson is a North America-focused midstream oil and gas company that provides storage and transportation services. www.gibsons.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 Gibson Energy in September 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.</p>	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 	<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 Mullen Group in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p> <p>We wrote to Mullen in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p>	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 	<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 Pason Systems in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p> <p>We wrote to Pason in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p>	Ethical Special Equity Fund

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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 	<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 Pembina Pipeline Corporation in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p> <p>We wrote to Pembina in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p> <p>This dialogue was paused in response to portfolio changes.</p>	
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> <p>We wrote to Precision in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p> <p>In October 2014 the company responded to our earlier letter on improving its carbon disclosure, indicating that our request had been discussed at board level and that improved disclosure on this topic could be expected in 2015.</p> <p>This dialogue was paused in response to portfolio changes.</p>	

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Range Resources	<p>Range Resources is an independent U.S. natural gas company.</p> <p>www.rangeresources.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 Range Resources in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p> <p>We wrote to Range in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>
Suncor	<p>Suncor Energy Inc. is Canada's largest integrated energy company, focused on development of the Athabasca oil sands.</p> <p>www.suncor.com</p>	<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>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>

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			<p>We wrote to the board in September 2014 to explain our rationale for voting against Suncor's executive compensation package at the 2014 AGM. We have been engaging the company on executive compensation for a number of years. While we continue to see improvement in the way the company links executive compensation to ESG performance, we raised concerns about compensation disparity given the magnitude of the CEO's 2013 pay.</p> <p>In October 2014 we met with Suncor to discuss technology development and future carbon pricing disclosure. The company has realigned its approach to technology development to ensure it is more strategic and efficient. We urged the company to consider how it can utilize strategic technology investments to diversify the company's future revenues, particularly in the context of low carbon technologies. The company would consider this idea, but also stated that currently most technology development is aimed at reducing the impact of its oil sands operations. Regarding carbon scenario planning disclosure, the company indicated that it would expand on the disclosure it has already provided in response to our previous request. The company plans to provide more nuanced discussion on assessment of future carbon risks based on multiple scenarios.</p> <p>In December 2014 the company responded to our earlier letter in which we provided feedback on the executive compensation framework. The company indicated that it would consider our input.</p>	
Total	<p>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.</p> <p>www.total.com</p>	<ul style="list-style-type: none"> Hydraulic fracturing 	<p>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.</p>	Ethical International Equity Fund
Tourmaline Oil Corporation	<p>Tourmaline is a Canadian oil and natural gas exploration and production company.</p> <p>www.tourmalineoil.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 Tourmaline Oil Corporation in April 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p> <p>We wrote to Tourmaline in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p>	

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Materials				
Barrick Gold	<p>Barrick Gold is the world's largest gold producer, operating mines and advanced exploration and development projects on four continents.</p> <p>www.barrick.com</p>	<ul style="list-style-type: none"> Respecting human rights 	<p>This dialogue continued from 2013</p> <p>We met with Barrick Gold several times to discuss a range of corporate social responsibility issues, with an emphasis on human rights due diligence. In January 2014 we met with the CEO to discuss recent changes to Barrick's structure and board, and how this would impact its CSR activities. We expressed the view that poor communication between corporate headquarters and the regional mine sites had been an issue in the past. The company acknowledged this, noting that the new corporate structure should improve oversight and accountability for community engagement and other sustainability issues, while board independence should be enhanced with the recruitment of new directors.</p> <p>In February 2014 we met with Barrick's Deputy Senior Counsel to discuss the company's human rights due diligence program. We expressed concern that the current approach may not mitigate risks at the company's more controversial mine sites, but acknowledged that it was making a genuine effort to follow the UN Guiding Principles on Business and Human Rights, moving ahead of many of its peers in this respect. We also spoke to the consultant hired to perform Barrick's human rights assessments, and to Professor John Ruggie, who is acting as the company's special advisor on human rights. These conversations gave us a better understanding of the process and some comfort with the approach, though we continue to emphasize to Barrick our belief that it will have to go further to address its more challenging site issues.</p> <p>In March 2014 we met with the company to provide feedback on proposed disclosure on the human rights impact assessment process. We encouraged the company to improve upon past disclosure, while acknowledging that the current process may not lend itself to the level of transparency we seek.</p> <p>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.</p> <p>This dialogue was paused in response to portfolio changes.</p>	
Boart Longyear	<p>Operating worldwide, Boart Longyear is an integrated drilling services and products provider.</p> <p>www.boartlongyear.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 Boart Longyear in April 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.</p> <p>This dialogue was paused in response to portfolio changes.</p>	

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Brenntag AG	Brenntag AG is a chemical distribution company, operating world-wide and headquartered in Germany. www.brenntag.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 Brenntag in April 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.</p> <p>We wrote to Brenntag in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p>	Ethical Global Equity 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 	We wrote to the Domtar board to explain our rationale for voting against the executive compensation plan at the 2014 AGM. The plan had received a relatively low level of support from shareholders (77%). We commended the company for the strong linkage between compensation and safety performance, and asked Domtar to consider incorporating some of its other sustainability performance targets to the pay framework. At the same time, we expressed concern about reduced use of performance share units as an element of long-term compensation, and pay disparity among senior executives. We received a response from Domtar, indicating that the company was reviewing its compensation approach in the light of shareholder concerns.	Ethical Canadian Equity Fund
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 	<p>This dialogue continued from 2013.</p> <p>In January 2014 we met with the CEO of Goldcorp to discuss the possibility of a follow-up to the HRIA at the Marlin mine in Guatemala, and the community engagement situation at the El Morro site in Chile. The company is considering using HRIA at another site, as the Marlin HRIA was a productive exercise, but has not made a decision yet. The decision on a follow-up to the Marlin HRIA would likely depend on whether the life of the current mine is extended. Consultation performed prior to Goldcorp's involvement at El Morro was not considered adequate, and that the company is now working to address the shortcomings. Development of El Morro is largely on hold, but the community engagement work is ongoing and constitutes the majority of the current budget for the project.</p>	Ethical Canadian Equity Fund

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			<p>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.</p> <p>In October 2014 we met with Goldcorp for further discussions on the implementation of ICMM commitments on FPIC, and updates on its Guatemalan and Chilean mines. We reiterated our previous request for the company to consider providing an update on the Marlin Mine HRIA. The company indicated it had been undertaking work on this and would consider public disclosure of an update, tied to decisions around extending the life of the mine. The company provided information on how it is working to build community trust in these locations.</p> <p>In November 2014 we attended the Goldcorp investor meeting on the status of its responsibility initiatives, meeting with the company's CEO, the Chair of the Sustainability Committee and senior CSR management. The company indicated that implementation of FPIC under ICMM will be an important future topic. The new environmental management data system was also presented. Following up on previous discussions with the board on compensation metrics, we asked the company to consider integrating performance data from the system into the executive pay framework.</p>	
LyondellBasell Industries	<p>LyondellBasell Industries is a global plastics, chemicals and refining company.</p> <p>www.lyondellbasell.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 LyondellBasell Industries in April 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.</p>	

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			<p>We wrote to LyondellBasell in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p> <p>This dialogue was paused in response to portfolio changes.</p>	
Potash Corp	<p>Potash Corp is the world's largest fertilizer company by capacity, producing the three primary crop nutrients: potash, nitrogen and phosphate.</p> <p>www.potashcorp.com</p>	<ul style="list-style-type: none"> • Respecting human rights 	<p>This dialogue was added during 2014 in response to portfolio changes.</p> <p>Following up on our earlier dialogue, in May 2014 we joined an international collaborative engagement focused on human rights risks relating to PotashCorp'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.</p> <p>In August 2014 Potash provided updated information on how it has assessed the human rights risks associated with its Western Sahara supply chain. However, the investor collaboration continued to have questions about the quality of human rights due diligence performed by the company, and asked for a meeting to discuss this further. The company agreed to the request.</p> <p>In November 2014 we participated in a collaborative engagement call with Potash regarding human rights risk assessment, alongside SHARE and GES.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Global Equity Fund</p>
Tahoe Resources	<p>Headquartered in Nevada and Vancouver, Tahoe Resources is a silver producer that operates a mine in Guatemala.</p> <p>www.tahoeresourcesinc.com</p>	<ul style="list-style-type: none"> • Respecting human rights • Carbon disclosure 	<p>This dialogue was added during 2014 in response to portfolio changes.</p> <p>In September 2014 we met with Tahoe Resources for the first time to discuss the systems and policies in place to ensure the company meets its obligation to respect human rights. The company is currently facing a lawsuit in relation to acts of violence in Guatemala, where it operates the Escobal silver mine. The company explained how it manages community engagement and provided information on the development and implementation of its human rights policy, as well as its progress in implementing a grievance mechanism. Tahoe is also making efforts to improve its disclosure on ESG issues. We expressed our desire to learn more about how the company is integrating the UN Guiding Principles on Business and Human Rights and in particular how it is performing human rights due diligence.</p>	

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			<p>In September 2014 we wrote to the board to ask the company to improve its disclosure on management of carbon emissions. We highlighted the link between voluntary disclosure on carbon mitigation strategies and good corporate governance overall.</p> <p>In October 2014 we met with Tahoe Resources to continue the dialogue on the company's human rights policy implementation, and in particular on how the company performs human rights due diligence. The company was assessing the implications of implementing the UN Guiding Principles on Business and Human Rights and would be conducting due diligence once this was done. The company had focused human rights training on its security forces but was broadening training to reach all employees. A systematic grievance mechanism was expected to be completed in late 2014, to make grievances and responses more traceable.</p> <p>The company was working to improve ESG disclosure on its website and expressed interest in receiving our feedback.</p> <p>This dialogue was paused in response to portfolio changes.</p>	
Winpak	<p>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.</p> <p>www.winpak.com</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Sustainable packaging • Enhancing ESG disclosure 	<p>This dialogue continued from 2013.</p> <p>We met with the CEO of Winpak in January 2014 to discuss the company's efforts to enhance packaging sustainability. Raw materials cost reduction is a strong driver to cut waste, increase internal recycling and develop improved technologies, but client demand for more sustainable packaging options remains relatively weak - an issue we will explore with consumer companies on the Focus List.</p>	<p>Ethical Special Equity Fund</p>
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>	<p>Ethical Canadian Equity Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Healthcare & Pharmaceuticals				
Merck	Merck produces vaccines, medications, and consumer and animal health products worldwide. www.merck.com	<ul style="list-style-type: none"> Enhancing corporate governance 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. Through a new dialogue interface, iiWisdom, we provided feedback to the Merck board on corporate governance and executive compensation issues, explaining why we voted against the compensation plan at the 2014 AGM. The dialogue was paused in response to portfolio changes.	
Johnson & Johnson	Johnson & Johnson is an American multinational medical devices, pharmaceutical and consumer packaged goods manufacturer founded in 1886. www.jnj.com	<ul style="list-style-type: none"> Compensation linked to ESG performance 	<p>This dialogue continued from 2013.</p> <p>Following multiple recalls and extensive litigation, in earlier engagement we had urged Johnson & Johnson to integrate product safety and compliance performance metrics to the company's compensation plan. We had also pressed the company on its commitment to report publicly on the efforts of the recently-created Regulatory, Compliance & Government Affairs Committee (RCGC), which is tasked with addressing quality and compliance issues.</p> <p>In February and March 2014, the company adopted compensation recoupment policies for violations relating to manufacturing, sales or marketing of company products. The policies set parameters for the board to reduce or recover compensation from executives who fail to ensure that the company meets quality and compliance standards, and clarify board accountability through reporting and oversight mechanisms. J&J also provided a high level overview on activities of the RCGC.</p> <p>We wrote to the Johnson & Johnson board in July 2014 to explain our rationale for voting against the compensation plan at the 2014 AGM. Although we have seen progress on linkage of pay to safety and compliance performance, we seek increased use of performance-based awards and more detailed disclosure on the performance metrics framework.</p>	Ethical American Multi-Strategy Fund Ethical Balanced Fund Ethical Global Equity Fund
IT & Telecommunications				
Apple	Apple Inc. is a multinational corporation, based in California, which designs, develops, and sells consumer electronics, software, online services and computers. www.apple.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 Apple in 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.</p>	Ethical Balanced Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<p>In September 2014, Apple submitted its first carbon emissions data to CDP, responding to the request made in earlier engagement. The company made the decision to report after investors indicated that disclosure through the CDP helped them to track environmental performance.</p> <p>Through a new dialogue interface, iiWisdom, we provided feedback to the Apple board on corporate governance and executive compensation issues, explaining why we voted against the compensation plan at the 2014 AGM.</p> <p>A shareholder proposal on responsible tax policy was co-filed and withdrawn at Apple.</p>	
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> <p>Following up on our earlier meeting, we shared suggestions with CGI on tools that could be relevant to an exploration of how the UN Guiding Principles on Business and Human Rights could be applied in the context of IT services. We also asked the company to clarify its position on fundamental labour rights, as outlined in the OECD Guidelines for Multinational Enterprises.</p>	<p>Ethical Canadian Equity Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Electronic Arts	Electronic Arts is an international interactive entertainment software company. www.ea.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 Electronic Arts in September 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>
EMC	EMC is a global information technology company, focused on cloud computing. www.emc.com	<ul style="list-style-type: none"> Enhancing corporate governance Preventing tax base erosion 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities. Through a new dialogue interface, iiWisdom, we provided feedback to the EMC board on corporate governance and executive compensation issues.</p> <p>The digital economy has become a focus for concerns about aggressive tax minimization strategies. We contacted EMC in December 2014 to provide briefing on our engagement work on responsible tax policy.</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>
Google	Google is an American multinational corporation specializing in Internet-related services and products including, search, cloud computing, software, and online advertising technologies. www.google.com	<ul style="list-style-type: none"> Preventing tax base erosion 	<p>This dialogue continued from 2013.</p> <p>Google did not respond to an offer of dialogue on withdrawal of the shareholder proposal we had co-filed in December 2013, asking the company to adopt a responsible tax policy to mitigate emerging regulatory and reputational risks of aggressive corporate tax minimization strategies. The proposal will go to a vote at the AGM in May.</p> <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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Mitel	<p>Mitel is a multinational corporation specializing in business communications technology, including phone systems, on-site and cloud-based collaboration and contact center solutions. Mitel is headquartered in Ottawa, Canada.</p> <p>www.mitel.com</p>	<ul style="list-style-type: none"> Enhancing ESG disclosure 	<p>This dialogue was added during 2014 in response to emerging ESG risks and opportunities.</p> <p>We met with Mitel for the first time in September 2014 to outline our processes, discuss the company's ESG disclosure and explore a range of ESG issues relevant to the IT sector. We encouraged the company to begin reporting on energy use and emissions and explained that we are encouraging IT sector companies to take a progressive public position on climate policy. We noted stakeholder concerns relating to management of e-waste and appropriate recycling conditions, and also discussed management of environmental and social risks in the electronics supply chain. We raised the question of privacy and human rights risks relating to IT service provision, and encouraged the company to strengthen policies and enhance disclosure on this issue. In addition, we briefed the company on our engagement with U.S. digital companies on responsible tax principles.</p> <p>Mitel expressed interest in continuing the dialogue, so we followed up by sharing with the company our Proxy Voting Guidelines, as well as best practice examples of ESG disclosure and corporate responsibility commitments within the IT sector.</p> <p>We met with Mitel in November 2014 to discuss recent developments at the company. We encouraged the company to focus on anti-corruption policies and practices as an early priority, given the serious legal penalties for non-compliance in this area. We also urged the company to formalize a sustainability policy.</p>	Ethical Special Equity Fund
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>	Ethical Special Equity Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<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> <p>Following up on our earlier meeting, we wrote to the Manitoba Telecom board formally in August 2014 to explain our rationale for voting against the compensation plan at the 2014 AGM.</p> <p>In late 2014, MTS announced new compensation and employment arrangements for the incoming CEO, which addressed many of the concerns that had led us to vote against the compensation plan. We wrote to the chair of the compensation committee in December 2014, to express our appreciation of the changes.</p>	
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 	<p>We met with Rogers in September 2014 to discuss climate change and emissions management developments. The company has made considerable efforts to enhance its climate strategy and disclosure. It tracks and report on 100% of its energy consumption, and has been undertaking initiatives to reduce its carbon footprint in relation to real estate and data centres. We noted the potential for the telecommunications industry to take a leadership role in the transition to a lower-carbon economy, and encouraged the company to consider aligning its emissions targets with the effort to keep global warming below 2°C.</p> <p>We discussed the role of the hi-tech sectors in enabling other companies to reduce their operational emissions through technological innovations, and encouraged Rogers to consider proactively providing more information to consumers on how to reduce energy consumption associated with their use of IT and communications devices.</p> <p>At our earlier meeting, Rogers had expressed interest in receiving investor feedback on its 2013 CSR report. We wrote to the company in December 2014 to share our observations on the report. We highlighted improvements compared to the 2012 report, including greater depth and detail, more quantitative data, and data assurance. We also noted the inclusion of objectives and encouraged Rogers to expand on this in future reporting. We encouraged the company to enhance disclosure on data privacy and security, water usage, innovation and provision of sustainable products and services.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
TELUS	<p>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.</p> <p>www.telus.com</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Communications stewardship • Equitable compensation • Board diversity leadership 	<p>This dialogue continued from 2013.</p> <p>We wrote to TELUS in February 2014 to share perspectives from the engagement on vertical pay comparisons at the Canadian banks, and met with representatives of the company to discuss compensation issues including internal pay equity. Following this meeting, in its 2014 proxy circular the company included new disclosure on measures to promote equitable compensation of executives and other employees.</p> <p>We voted for TELUS' executive compensation plan for the first time at the 2014 AGM. In August 2014 we wrote to the compensation committee to explain our rationale, noting the positive changes to the compensation approach that had been implemented over several years of constructive dialogue with the company. We also expressed appreciation for the new disclosure in the 2014 proxy circular regarding equitable compensation practices – a first among the Canadian companies in our holdings - and encouraged TELUS to build on this.</p> <p>In September 2014, we met with TELUS to discuss climate change and emissions management. The company has made notable efforts to reduce its own footprint through real estate and data centre initiatives and by encouraging telecommuting. We highlighted the potential for the telecommunications industry to take a leadership role in the transition to a lower-carbon economy. TELUS has already made significant progress against its 2020 emissions targets, but we encouraged the company to consider aligning its emissions targets with the effort to keep global warming below 2°C.</p> <p>We discussed the role of the hi-tech sectors in enabling other companies to reduce their operational emissions through technological innovations, and encouraged TELUS to consider proactively providing more information to consumers on how to reduce energy consumption associated with their use of IT and communications devices.</p> <p>We met with TELUS in December 2014 to explain our concerns about the Executive Chair structure, given our proxy voting preference for an independent board chair. We received assurances on the company's long-term commitment to board independence and corporate governance good practices. We encouraged TELUS to make clear that it is still committed to the basic principle of an independent board chair, and that the current arrangement is temporary and time-bound. We also noted that, where an Executive Chair will be compensated at the level of an executive rather than the level of a non-executive director, the compensation framework and disclosure should resemble that of the CEO and other executives, including with regard to performance criteria and assessment of performance.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Verizon Communications	Verizon Communications is a global communications company that designs, builds and operates networks, information systems and mobile technologies. www.verizon.com	<ul style="list-style-type: none"> Enhancing corporate governance 	This dialogue was added during 2014 in response to emerging ESG risks and opportunities. Through a new dialogue interface, iiWisdom, we provided feedback to the Verizon Communications board on corporate governance and executive compensation issues, explaining why we voted against the compensation plan at the 2014 AGM.	Ethical Global Dividend Fund
Consumer				
Adidas	Headquartered in Germany, Adidas is a leading global supplier of sporting goods. www.adidas-group.com	<ul style="list-style-type: none"> Worker safety in the supply chain 	This dialogue was added in response to emerging ESG risks and opportunities. Through ICCR, we met with Adidas in October 2014, to learn more about the company's activities in responsible supply chain management. Although the country is not a significant source of supply for Adidas, and the company was not implicated in the Rana Plaza factory disaster, it chose to join the Accord on Fire and Building Safety in Bangladesh, and its worker-led social responsibility approach. Adidas described leadership aspects of its global supply chain approach, including supplier transparency, worker hotlines, collaboration with worker organizations, and efforts to extend responsibility efforts further upstream to encompass chemicals management of materials processors.	Ethical Global Equity Fund
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>This dialogue continued from 2013.</p> <p>We wrote to Canadian Tire in February 2014 to follow up on earlier discussions on supply chain risk management, provision of timely disclosure on sustainability issues, and the company's GHG emissions and climate policy approach.</p> <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>	Ethical Canadian Equity Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<p>We also encouraged the company to enhance the scope, detail and timeliness of reporting on all key ESG performance issues. The company recognises that this is an area for improvement.</p> <p>The Canadian Tire board recently established a Brand and Values Committee. Following up on our earlier meeting, in September 2014 we wrote to the board to provide feedback on aspects of the company's ESG disclosure that we view positively, and reiterate our perspective how it could be enhanced in key areas such as supply chain management. We also encouraged the board to adopt a public position on the need for a meaningful price on carbon.</p>	
Cineplex	<p>Cineplex Inc. is a Canadian entertainment company.</p> <p>www.cineplex.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 Cineplex in September 2014, encouraging the company to begin providing emissions data through CDP, and explaining how we use this disclosure.</p>	Ethical Canadian Equity Fund
Coca Cola	<p>The Coca-Cola Company is an American multinational beverage corporation and manufacturer, retailer and marketer of non-alcoholic beverage concentrates and syrups.</p> <p>www.coca-cola.com</p>	<ul style="list-style-type: none"> • Food system sustainability and access to nutrition • Equitable compensation linked to ESG performance 	<p>This dialogue continued from 2013.</p> <p>Following up on earlier discussions on equitable executive compensation, in February 2014 we wrote to Coca-Cola to share perspectives from our engagement with Canadian banks on vertical pay comparisons. The company has adopted a new policy on responsible recruitment and respect for worker human rights by bottlers and suppliers.</p> <p>We voted against the Coca-Cola compensation plan at the 2014 AGM, and wrote to the board in July 2014 to explain the rationale for our decision. While the company had made a number of changes responding to issues raised in earlier dialogue, we considered the magnitude of CEO pay to be excessive, and had concerns about pay disparity between members of the executive team. We also urged Coca-Cola to enhance linkage to metrics within the 2020 Vision – the company's strategy for long-term success, which includes several environmental and social performance goals.</p> <p>Also in July 2014, we participated in a collaborative engagement call where Coca-Cola described its leadership efforts to implement traceability systems for the sustainable sourcing of key agricultural commodities.</p> <p>We were signatory to a letter urging companies involved in marketing food and beverages to children, including Coca-Cola, to join the Children's Food and Beverage Advertising Initiative (CFBAI).</p>	<p>Ethical American Multi-Strategy Fund</p> <p>Ethical Global Equity Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<p>We met with Coca-Cola in October 2014 to discuss changes in the company's executive compensation framework, including the amount of equity-based compensation and how it is distributed. We also discussed equitable compensation approaches and continued to urge the company to link pay clearly to sustainability objectives within the 2020 Vision.</p> <p>In November 2014, as the lead for a collaborative engagement organized through ICCR, we corresponded with the company to outline our interests and concerns relating to the nutritional impact of Coca-Cola products and changing trends in the market for soda.</p>	
Dollarama	<p>Dollarama is the leading dollar store operator in Canada. www.dollarama.com</p>	<ul style="list-style-type: none"> • Carbon disclosure • Enhancing board diversity 	<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> <p>We wrote to Dollarama in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p> <p>There are no women directors at Dollarama, and as a result we had voted against the nominating committee of the board at the 2014 AGM. From 2015, TSX-listed companies must follow new comply-or-explain requirements for disclosure on board diversity. In the light of these requirements, and studies pointing to the correlation between board diversity and corporate out-performance, in December 2014 we wrote to Dollarama to explain our voting decision and encourage the company to pursue board diversity.</p>	<p>Ethical Balanced Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Empire	<p>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.</p> <p>www.empireco.ca</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Food system sustainability and access to nutrition 	<p>This dialogue was added for 2014.</p> <p>We last engaged Empire in 2011, encouraging it to report on ESG performance. Later that year, the company developed a sustainability strategy including specific targets to reduce GHG emissions and waste. Empire also committed to issue comprehensive sustainability reports every two years and an interim update every year on the Sustainability@Sobeys website. The latest interim update was posted in February 2014.</p> <p>We wrote to the company in February 2014 to invite engagement on its evolving sustainability strategy and structures.</p> <p>In September 2014, we met with Empire, which owns the Sobeys supermarket chain, to discuss sustainability practices and disclosure.</p> <p>Empire's investments in environmentally-friendly refrigeration systems have allowed the company to reduce energy use and achieve its target of reducing GHG emissions by 15% by 2013. We encouraged Empire to continue emissions reduction efforts and enhance reporting in this area.</p> <p>We discussed the importance of long-term supplier relationships in building more environmentally and socially sustainable supply chains, as well as the company's certification programs for humane meat sourcing. We provided feedback on aspects of Empire's supply chain management disclosure that we believe could be enhanced.</p>	<p>Ethical Canadian Equity Fund</p> <p>Ethical Special Equity Fund</p>
Ingredion	<p>Headquartered in Illinois, Ingredion is a global provider of ingredients to the food, beverage and pharmaceutical industries.</p> <p>www.ingredion.com</p>	<ul style="list-style-type: none"> • Food system sustainability • Responsible water use 	<p>This dialogue was added in response to emerging ESG risks and opportunities. Providers of food and beverage ingredients, such as Ingredion, are an important link in the efforts of other companies in our holdings, such as Coca-Cola, Unilever and Nestlé, to extend responsibility efforts into the upstream supply chain. Through ICCR, we met with the company in November 2014 to learn more about its water strategy as well as its efforts to ensure labour rights are respected in the agricultural supply chain.</p>	<p>Ethical American Multi-Strategy Fund</p>
Kraft Foods	<p>Kraft Foods Group Inc. is an American grocery manufacturing and processing conglomerate headquartered in the Chicago suburb of Northfield, Illinois.</p> <p>www.kraftfoodsgroup.com</p>	<ul style="list-style-type: none"> • Food system sustainability and access to nutrition • Enhancing ESG disclosure 	<p>This dialogue continued from 2013.</p> <p>As Kraft Foods had not yet made an explicit commitment to improve its ESG disclosures in response to earlier engagement, we wrote to the company in January 2014 to provide detail on topics we believe the company should prioritize. These include impacts for business strategy of emerging sustainability issues, supply chain management, nutrition trends, and involvement in public policy development.</p> <p>This dialogue was paused in response to portfolio changes.</p>	

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Loblaw	<p>Loblaw Companies Limited is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services.</p> <p>www.loblaw.ca</p>	<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 dialogue was paused, and later resumed, in response to portfolio changes. We approached the company in Summer 2014 to request a meeting to discuss sustainability issues.</p> <p>We met with Loblaw in November 2014 to brief the company about the global investor collaboration on labour standards in the agricultural supply chain, and specifically to discuss Loblaw's involvement in retailer efforts to address human rights abuses in the Thai shrimp feed supply chain. We encouraged the company to integrate social considerations, including human rights, alongside environmental factors in its sustainable seafood program. We also followed up on earlier engagement on supply chain management for the Joe Fresh apparel brand. Since the Rana Plaza factory disaster, the company had built up a presence in Bangladesh and was rolling out compliance and supervision programs.</p> <p>In addition, we raised the question of possible impacts of neo-nicotinoid pesticides on pollinators, and learned more about Loblaw's efforts to put this issue on the retail agenda.</p> <p>We encouraged the company to align its sustainability reporting more closely with the Global Reporting Initiative framework.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>
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>This dialogue continued from 2013.</p> <p>We wrote to the company in January 2014 to share our perspective on key ESG disclosure topics for apparel companies. Specifically, we encouraged the company to provide more information on how supply chain risk is being managed and mitigated, in the light of recent factory disasters in Bangladesh and increasing investor awareness of supply chain issues.</p> <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.</p>	<p>Ethical Global Equity Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<p>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> <p>In July 2014, we wrote to the board to explain our rationale for voting against the executive compensation plan at the company's 2014 AGM. We were concerned that the compensation framework was not adequately linked to long-term performance metrics, and also at disparity between the pay of the CEO and that of other members of the executive team.</p> <p>We met with Lululemon in November 2014 to provide further perspectives on our assessment of the company's compensation framework.</p>	
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 planned to continue from 2013, but was paused and resumed in 2014 in response to portfolio changes.</p> <p>We wrote to the board to explain our rationale for voting against the executive compensation plan at the company's 2014 AGM. Our concerns centred on quantum of pay and equitable compensation considerations.</p>	Ethical Balanced Fund
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>This dialogue continued from 2013.</p> <p>We wrote to the company in February 2014 to invite further dialogue on supply chain management, access to nutrition and climate issues. 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.</p>	Ethical Canadian Equity Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<p>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> <p>In July 2014, we wrote to the Metro board to provide feedback on our vote against the compensation plan at the 2014 AGM. We were concerned that the compensation framework was not adequately linked to long-term performance metrics, and at disparity between the pay of the CEO and other members of the executive team. We also encouraged the company to reduce reliance on use of compensation-inflating stock options within incentive plans. The board responded In September 2014 with further explanation of the rationale for its decisions on executive compensation.</p>	
Nestlé	<p>Nestlé is a global nutrition and health company, headquartered in Switzerland.</p> <p>www.nestle.com</p>	<ul style="list-style-type: none"> • Respecting human rights • Food system sustainability and access to nutrition 	<p>As part of a collaborative engagement to enhance labour standards in the agricultural supply chain of food and beverage manufacturers and retailers, in July 2014 we participated in a meeting with Nestlé to discuss the company's efforts to implement company-wide Human Rights Impact Assessment (HRIA) – a leadership practice among consumer companies. We learned how insights from this initiative are informing evolving human rights policies and systems across the company's global operations.</p> <p>We were also signatory to a letter urging companies involved in marketing food and beverages to children, including Nestlé, to join the Children's Food and Beverage Advertising Initiative (CFBAI).</p>	<p>Ethical Global Equity Fund</p> <p>Ethical International Equity Fund</p>
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> <p>This dialogue was paused in response to portfolio changes.</p>	

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Shaw Communications	Shaw Communications provides network services and content in Western Canada. www.shaw.ca	<ul style="list-style-type: none"> Enhancing ESG disclosure 	<p>This dialogue was added in response to emerging ESG risks and opportunities.</p> <p>We met with Shaw Communications in September 2014 to discuss concerns about the quality of the company's ESG disclosure identified during our ESG evaluations process. As follow-up to the meeting, we wrote to the CEO to encourage improvement in ESG reporting.</p> <p>The dialogue was paused in response to portfolio changes.</p>	Ethical Balanced Fund
Tesco	Headquartered in the UK, Tesco is a large global retailer operating in 12 countries. www.tesco.com	<ul style="list-style-type: none"> Respecting human rights Food system sustainability 	<p>This dialogue was added in response to emerging ESG risks and opportunities. As part of a collaborative engagement to enhance labour standards in the agricultural supply chain of food and beverage manufacturers and retailers, in December 2014 we participated in a meeting with Tesco to learn more about the company's food supply chain management initiatives for products of concern including tropical fruit and shrimp.</p>	Ethical Global Equity Fund
Industrials				
Caterpillar	Caterpillar manufactures construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. www.caterpillar.com	<ul style="list-style-type: none"> Carbon disclosure Respecting human rights 	<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> <p>Although Caterpillar provides information on climate issues in its own reporting, it did not respond to the 2014 CDP carbon disclosure survey. We wrote to Caterpillar in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p> <p>Against a background of stakeholder concerns about the use of Caterpillar heavy equipment in conflict situations, we also asked the board to consider enhancing Caterpillar's human rights approach to be consistent with the UN Guiding Principles on Business and Human Rights.</p> <p>Caterpillar responded to our letter on carbon disclosure and human rights due diligence, indicating it would take our comments under advisement. We followed up in November 2014 with additional suggestions for how the company might address within its disclosure the implications of use of its equipment by third parties in conflict zones.</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>We wrote to Joy Global in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</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 	<p>This dialogue was added for 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 Misumi in March 2014, encouraging the company to begin providing emissions data, and explaining how we use this disclosure.</p> <p>This dialogue was paused in response to portfolio changes.</p>	
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 	<p>In 2013, we had asked Ryanair to enhance its ESG disclosure, and specifically to begin reporting greenhouse gas emissions. In its latest Annual Report, Ryanair provided basic emissions data for the first time. We wrote to the company in December 2014, expressing appreciation for the new disclosure and encouraging the company to consider building on it by providing a basic response to the CDP carbon disclosure questionnaire in 2015.</p>	Ethical Global Equity Fund
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>This dialogue continued from 2013.</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 Vesuvius in March 2014, encouraging the company to begin providing GHG emissions data, and explaining how we use this disclosure. We also requested follow-up on earlier engagement on human rights risk mitigation. The company indicated that it was open to further dialogue on this issue. In its latest Annual Report, Vesuvius disclosed that it has implemented a human rights policy.</p>	Ethical Global Dividend Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<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> <p>We wrote to Vesuvius in September 2014 to renew our request that the company improve its disclosure on carbon emissions mitigation strategies, ideally by responding to the CDP survey. This time we directed our letter to the chair of the board, highlighting the link between good disclosure on emissions management and good corporate governance overall.</p>	
Financials				
Bank of Montreal	<p>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.</p> <p>www.bmo.com</p>	<ul style="list-style-type: none"> Equitable compensation 	<p>This dialogue continued from 2013.</p> <p>In its 2014 proxy circular, in response to our 2012 shareholder proposal, BMO implied that the compensation committee took into account pay across the company.</p> <p>Following up on earlier engagement, in August 2014 we wrote to Canada's largest banks, including BMO, encouraging them to consider next steps in enhancing equitable compensation practices and disclosure.</p> <p>We also wrote to the BMO compensation committee in August 2014, outlining our rationale for voting in favour of the compensation plan at the 2014 AGM. While commending the bank for reducing its reliance on the use of compensation-inflating stock options, we asked the bank to consider the potential implications of including tax-sensitive metrics in executive pay frameworks, as well as sharing perspectives on approaches to disclosure on equitable compensation.</p> <p>We met with BMO in December 2014 to discuss equitable compensation disclosure in the context of our new proxy voting guideline, which targets excessive pay by considering the quantum of CEO compensation in relation to the median household income in Canada. We also discussed the potential risks associated with tax-sensitive compensation metrics, and highlighted new tax transparency disclosure practices by a peer bank.</p>	<p>Ethical Balanced Fund NEI Canadian Bond Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
Bank of Nova Scotia	<p>Scotiabank is a leading financial services provider in over 55 countries and is Canada's most international bank.</p> <p>www.scotiabank.com</p>	<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 continued from 2013.</p> <p>We met with BNS and other banks in February 2014 to discuss the findings of the independent research on equitable compensation commissioned in response to our 2012 shareholder proposals.</p> <p>In its 2014 proxy circular, in response to our 2012 shareholder proposal, the bank indicated that the compensation committee took into account pay across the company, and specified that executive compensation input included vertical comparisons with the pay of other employees.</p> <p>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.</p> <p>Following up on earlier engagement, in August 2014 we wrote to Canada's largest banks, including BNS, encouraging them to consider next steps in enhancing equitable compensation practices and disclosure.</p> <p>We also wrote to the BNS compensation committee in August 2014, outlining our rationale for voting in favour of the compensation plan at the 2014 AGM. While commending the bank for disclosing that vertical comparisons with the pay of other employees formed part of information provided for compensation decision-making, we asked BNS to consider the potential implications of including tax-sensitive metrics in executive pay frameworks, as well as sharing perspectives on approaches to disclosure on equitable compensation.</p> <p>In October 2014, BNS responded to our earlier letter on equitable compensation disclosure, expressing commitment to continuing enhancement of its compensation disclosure.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p> <p>NEI Canadian Bond Fund</p>
Canadian Western Bank	<p>Canadian Western Bank and its operating affiliates offer a diversified range of financial services.</p> <p>www.cwbankgroup.com</p>	<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>	<p>Ethical Special Equity Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
CIBC	<p>CIBC is a leading Canadian-based financial institution and provides a full suite of financial products and services in Canada and around the world.</p> <p>www.cibc.com</p>	<ul style="list-style-type: none"> • Equitable compensation 	<p>This dialogue continued from 2013.</p> <p>We met with CIBC in January 2014 to discuss the shareholder proposal we had re-filed asking the company to assess the value of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We withdrew the proposal when the bank agreed to enhance disclosure in the 2014 proxy circular.</p> <p>In its 2014 proxy circular, in response to our 2012 and 2013 proposals, the bank indicated that for the time being it would observe trends in the adoption of vertical comparisons.</p> <p>Following up on earlier engagement, in August 2014 we wrote to Canada's largest banks, including CIBC, encouraging them to consider next steps in enhancing equitable compensation practices and disclosure.</p> <p>We also wrote to the CIBC compensation committee in August 2014, outlining our rationale for voting in favour of the compensation plan at the 2014 AGM. While commending the bank for increasing use of performance-based awards, we asked CIBC to consider the potential implications of including tax-sensitive metrics in executive pay frameworks, as well as sharing perspectives on approaches to disclosure on equitable compensation.</p> <p>In October 2014 CIBC replied to our earlier letter regarding next steps on equitable compensation disclosure and the potential for further collaboration among the banks. CIBC indicated it would focus efforts internally for the time being.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p> <p>NEI Canadian Bond Fund</p>
Industrial Alliance	<p>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.</p> <p>www.inalco.com</p>	<ul style="list-style-type: none"> • Enhancing ESG disclosure 	<p>This dialogue continued from 2013.</p> <p>Responding to earlier engagement, Industrial Alliance included new sustainability disclosures in its 2013 annual report, including greenhouse gas emissions data.</p>	<p>Ethical Canadian Equity Fund</p> <p>Ethical Special Equity Fund</p>
JP Morgan Chase	<p>JPMorgan Chase & Co. is a leading global financial services firm and one of the largest banking institutions in the United States, with operations worldwide.</p> <p>www.jpmorganchase.com</p>	<ul style="list-style-type: none"> • Systemically-important financial institutions 	<p>This dialogue continued from 2013.</p> <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>Ethical Balanced Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<p>We met with JP Morgan Chase representatives in January 2014 to learn about its ongoing implementation of enhancements to compliance and risk oversight functions, and discuss issues emerging from our management breach investigation. We remained concerned that the actions that the company has taken will not be sufficient to change its ethical and compliance culture. The day after our meeting, the bank announced a 74% increase in the CEO's compensation for 2013, despite the record fines the company has faced over the past year.</p> <p>This dialogue was paused in response to portfolio changes.</p> <p>To further explore the ethical challenges faced by systemically-important U.S. financial institutions, we joined an investor collaboration on this topic organized through ICCR.</p> <p>In response to shareholder concerns, JP Morgan Chase published the report "How We Do Business" in December 2014, acknowledging the ethical lapses that resulted in record fines and contributed to systemic financial risk, and committing to strengthen its corporate culture, risk management controls, customer orientation and stakeholder relations. This followed the release of the company's Business Principles earlier in the year.</p>	
Laurentian Bank	<p>Laurentian Bank of Canada is a Quebec banking institution operating across Canada, providing a full suite of financial products. www.laurentianbank.com</p>	<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> <p>Following up on our earlier feedback letter, we met with Laurentian in September 2014 to discuss in more detail why we were able to support the compensation plan.</p> <p>Also in September 2014, we met with the CEO to provide a high-level overview of our ESG priorities for financial services companies, as well as explaining our approach to proxy voting on auditor ratification.</p>	<p>Ethical Special Equity Fund</p>
National Bank of Canada	<p>The National Bank of Canada is a full service Canadian commercial bank headquartered in Montreal Canada. www.nbc.ca</p>	<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.</p>	<p>Ethical Canadian Equity Fund NEI Canadian Bond Fund</p>

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<p>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> <p>Following up on earlier engagement, in August 2014 we wrote to Canada's largest banks, including National Bank, encouraging them to consider next steps in enhancing equitable compensation practices and disclosure.</p> <p>In November 2014, we received a detailed response from the bank to our earlier compensation feedback.</p>	
Power Financial	<p>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.</p> <p>www.powerfinancial.com</p>	<ul style="list-style-type: none"> • GHG emissions and climate policy • Enhancing ESG disclosure 	<p>We met with Power Financial in July 2014 to discuss ESG disclosure enhancements and the company's efforts to climate-proof its business units. We encouraged the company to provide an overview of sustainability disclosure across all of its subsidiaries, which would enable investors and other stakeholders to form a clearer picture of ESG performance across the company's operations and interests.</p>	Ethical Canadian Equity Fund
Royal Bank of Canada	<p>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.</p> <p>www.rbc.com</p>	<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 continued from 2013.</p> <p>We met with RBC and other banks in February 2014 to discuss the findings of the independent research on equitable compensation commissioned in response to our 2012 shareholder proposals.</p> <p>In its 2014 proxy circular, in response to our 2012 and 2013 proposals, the bank indicated that the compensation committee took into account pay across the company, and RBC specified that executive compensation input included vertical comparisons with the pay of other employees. We attended the company AGM in February 2014 to present to shareholders on the reasons for the withdrawal of our 2012 and 2013 shareholder proposals, and our expectations for future disclosure.</p> <p>We had constructive discussions with a number of RBC representatives in February 2014 on our response to the latest proxy circular, the potential for RBC to adopt responsible tax principles, and how the bank is implementing the environmental and social provisions of its lending policies.</p> <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.</p>	Ethical Balanced Fund NEI Canadian Bond Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
			<p>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> <p>Following up on earlier engagement, in August 2014 we wrote to Canada's largest banks, including RBC, encouraging them to consider next steps in enhancing equitable compensation practices and disclosure.</p> <p>We met with RBC in October 2014 to discuss equitable compensation disclosure in the context of our new proxy voting guideline, which targets excessive pay by considering the quantum of CEO compensation in relation to the median household income in Canada.</p> <p>In November 2014 we met with RBC to discuss tax-sensitive compensation metrics, good practices for disclosing responsible tax policy, and the relationship between tax and corporate responsibility.</p> <p>RBC's 2014 Annual Report, published in December 2014, included a tax transparency section that describes the bank's approach to mitigating tax risk. We provided feedback on the new disclosure, and suggested the bank should consider also publishing tax policy in a location more accessible to interested stakeholders who may not read the company's investor-facing disclosure.</p>	
TD Bank	<p>TD Bank Group, headquartered in Toronto with offices around the world, offers a full range of financial products and services.</p> <p>www.td.com</p>	<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 continued from 2013.</p> <p>We met with TD and other banks in February 2014 to discuss the findings of the independent research on equitable compensation commissioned in response to our 2012 shareholder proposals.</p> <p>In its 2014 proxy circular, in response to our 2012 proposal, the bank implied that the compensation committee took into account pay across the company.</p> <p>Following up on earlier engagement, in August 2014 we wrote to Canada's largest banks, including TD Bank, encouraging them to consider next steps in enhancing equitable compensation practices and disclosure.</p> <p>We also wrote to the TD compensation committee in August 2014, outlining our rationale for voting in favour of the compensation plan at the 2014 AGM. While commending the bank for appropriate use of discretion to reduce awards in light of missed targets, we asked TD to consider the potential implications of including tax-sensitive metrics in executive pay frameworks, as well as sharing perspectives on approaches to disclosure on equitable compensation.</p> <p>We met with TD Bank in October 2014 to discuss equitable compensation disclosure in the context of our new proxy voting guideline, which targets excessive pay by considering the quantum of CEO compensation in relation to the median household income in Canada.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p> <p>NEI Canadian Bond Fund</p>

Collaborative Engagement

- We participated in a collaborative engagement to promote improved performance and adoption of best practices in unconventional gas operations. In early 2014 the collaboration wrote to a number of companies in our holdings to request a meeting to discuss these issues, including Apache, BG Group, Canadian Natural Resources, Eni, EOG Resources, Hess Corporation and Total. Later in the year we participated in calls with CNRL, Total and Eni to discuss policies, practices and disclosure on fracking. Calls were also undertaken by the collaboration with BG Group and Apache.
- 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.
- We participated in a collaborative engagement to enhance labour standards in the agricultural supply chain of food and beverage manufacturers and retailers. In early 2014 the collaboration wrote to a number of companies in our holdings to pursue engagement, including Tesco and Yum Brands. We participated in a good practice calls with Unilever and Nestlé.
- We participated 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 were signatory to a letter urging companies involved in marketing food or beverages to children to join Children's Food and Beverage Advertising Initiative (CFBAI), targeting companies including Adidas, Coca-Cola, Mead Johnson, Nestlé, SABMiller and Unilever.

- We participated 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.
- Through a new dialogue interface, iiWisdom, we provided feedback to the boards of a number of U.S. companies on corporate governance and executive compensation issues, including Apple, EMC, Merck and Verizon Communications.

Public Policy & Standards

Creating a Supporting Environment for Responsible Investment

- 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 continued to participate 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. TSX mandated majority voting for directors in February 2014, and in March 2014 it published new guidance for companies on ESG disclosure obligations. In June 2014 TSX launched a new sustainability-themed index, the S&P/TSX 60 ESG Index.

- As part of our wider effort to enhance the integrity of the proxy voting system, we wrote 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 provided input to Environment Canada in March 2014 on how National Pollutant Release Inventory data could be made more accessible for use by responsible investors.

Towards Responsible Extractive Industries

- We submitted comments to Foreign Affairs, Trade and Development Canada's consultation on Corporate Social Responsibility Strategy for the Canadian International Extractive Sector in January 2014.
- We participated in Natural Resources Canada consultation session on extractives transparency reporting in March 2014. The federal government announced that it will bring in a disclosure framework if the provinces have not introduced provisions by 2015. 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. 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.

- In March 2014, the UN Global Compact released its Good Practice Note on Indigenous Peoples' Rights and the Role of Free, Prior, and Informed Consent. We provided comments on the first draft of the Good Practice Note in the summer of 2013 and were pleased to see many of our suggestions integrated into the final version.
- In October 2014 we were asked to take part in a consultation by the International Council on Mining and Metals (ICMM) in regard to the organization's efforts to improve the CSR performance of the mining industry.
- In November 2014 we provided detailed feedback to the International Responsible Mining Assurance (IRMA) draft standard. IRMA is an effort to create an independent assurance framework for the mining industry that would certify the performance of mining companies against a number of environmental, social and governance issues.
- 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.

Getting Real about the Energy Transition

- In November 2014 we were one of three sponsors and organizers of a "Stranded Assets Day of Learning." Along with RBC and Suncor Energy, we organized a full-day agenda of speakers and discussions on the theory that climate change risks could lead to the stranding of assets at fossil fuel companies, which would in turn impact on investors in those companies. Invitees included mainstream financial analysts, institutional investors, companies and environmental organizations.

- In December 2014 we wrote to the Premier of Alberta regarding Alberta's efforts to update its climate change policy framework. We urged the Premier to ensure the updated policy is robust, credible, and supports the province to diversify its economy.
- As an investor member of CDP, in February 2014 we presented at the CDP Canada Spring Workshop to provide our perspective on the importance of carbon disclosure and to further influence the design of the CDP. We provided suggestions on how to improve the CDP survey process so that the reporting burden on companies is not overly onerous. In late 2014 we participated in meetings of an international working group providing advice and input to the CDP secretariat on the annual carbon disclosure survey for the oil and gas sector. We were one of five international investors, and the only North American investor, represented on the working group.
- In support of the objectives of the Climate Summit we were signatory to two policy initiatives in August 2014: the World Bank Group's Carbon Pricing Initiative, an international effort to build support for a robust global carbon pricing regime; and the 2014 Global Investor Statement on Climate Change, a statement outlining investor support for progressive climate policy and investor commitments to address and mitigate the risks associated with climate change. In October 2014 we were asked to provide feedback to the World Bank Group on next steps for the Carbon Pricing Leadership Coalition. In December 2014 we

were signatory to a statement in support of creating an expanded market for green bonds and climate bonds that was released at the 2014 Conference of the Parties to the Climate Convention.

• Stakeholder Approach to Executive Compensation

- We provided further input to the U.S. Securities and Exchange Commission consultation on implementation of the Dodd-Frank Act CEO-to-median worker pay ratio provision in February 2014, drawing on our engagement with the Canadian banks on equitable compensation.

Diversity Matters

- 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. The OSC's proposals were adopted by several other provincial regulators and came into force at the end of 2014.

* 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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