



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*
<b>Energy</b>				
<b>Encana</b>	Encana Corporation is a North American producer, transporter and marketer of natural gas, oil and natural gas liquids (NGLs). <a href="http://www.encana.com">www.encana.com</a>	<ul style="list-style-type: none"> <li>Hydraulic fracturing</li> <li>Gas development in Northern BC</li> <li>GHG emissions, climate policy and energy transition</li> <li>Unburnable carbon and stranded assets</li> </ul>	<p>In May 2015 we met with the company to discuss the implementation of its sustainability strategy, and its strategies to address methane emissions. We also asked for an update on the company's innovation work, and raised the idea of a management-supported shareholder resolution on climate disclosure leadership.</p> <p>The company is currently conducting risk assessments at each of its major plays to identify key local sustainability risks. The issues under assessment include water use and impacts to water, air quality, safety, and community impact. This work will be completed in the summer 2015 and will guide the specific sustainability response in each region. The company will then align its programs to address those specific risks – for example leveraging the Environmental Innovations Fund to address technological gaps (e.g. water recycling). Encana indicated that it was repositioning the Environmental Innovations Fund to better match its sustainability strategy, but that it would continue to stimulate innovation through the fund. We expressed our strong support for the ongoing focus on innovation.</p> <p>The company indicated that it was rolling out best practices in emission reduction across its operations and that each play would likely have a focus on the reduction of methane emissions.</p> <p>We encouraged the company to provide better disclosure on how it is assessing risks to its assets from carbon pricing, and noted that several European companies had received shareholder resolutions related to climate change leadership that had been supported by management. The company indicated that it was aware of these proposals and could respond if need be. We noted that the real opportunity lay in the company educating its shareholder base on the importance of its climate work, and this could be achieved by actively supporting such a shareholder resolution.</p>	

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<b>Gibson Energy</b>	Gibson is a North America-focused midstream oil and gas company that provides storage and transportation services. <a href="http://www.gibsons.com">www.gibsons.com</a>	<ul style="list-style-type: none"> <li>GHG emissions, climate policy and energy transition</li> <li>Safety culture</li> <li>Enhancing ESG disclosure</li> </ul>	In May 2015 we met with the CEO and the VP of Health, Safety, Security and Environment to discuss Gibson's plans to improve its ESG disclosure. We expressed our view that transparency on how the company manages ESG issues is material information for investors. The company agreed, noting that it planned to publish a CSR report in 2015 to address concerns raised previously, although it would not be able to provide climate-related metrics at this stage. We urged the company to consider answering key questions from the CDP carbon disclosure survey, as climate change is clearly material to the industry. The company said it would consider our input and seek further feedback in the future.	Ethical Canadian Equity Fund Ethical Special Equity Fund
<b>Suncor</b>	Suncor Energy Inc. is Canada's largest integrated energy company, focused on development of the Athabasca oil sands. <a href="http://www.suncor.com">www.suncor.com</a>	<ul style="list-style-type: none"> <li>Oil sands</li> <li>GHG emissions, climate policy and energy transition</li> <li>Unburnable carbon</li> </ul>	<p>In June 2015 we met with the company to continue our dialogue on its innovation strategy and confirm that the company was still committed to investing in innovation despite the current fiscal challenges. We also discussed recent proxy voting developments in Europe, with strong shareholder vote results at several oil and gas majors for carbon disclosure-related shareholder proposals that were supported by company management. We expressed our view that proposals of this kind represented a significant opportunity to educate the shareholder base on the importance of addressing climate risks effectively. The company agreed to discuss this matter internally.</p> <p>In June 2015 we wrote to Steve Williams, the Suncor CEO, to acknowledge his leadership in publicly advocating for a broad-based price on carbon. Suncor's public support for a price on carbon has been an ongoing topic within our dialogue, and as such we were pleased to see the company take a strong stance. We also reiterated our support for the company's participation in the Ecofiscal Commission initiative.</p>	Ethical Balanced Fund Ethical Canadian Equity Fund
<b>Materials</b>				
<b>Goldcorp</b>	Goldcorp is a gold producer headquartered in Vancouver, engaged in gold mining and related activities including exploration, extraction, processing and reclamation. <a href="http://www.goldcorp.com">www.goldcorp.com</a>	<ul style="list-style-type: none"> <li>GHG emissions and climate policy</li> <li>Responsible water use</li> <li>Respecting human rights</li> </ul>	In June 2015 we met with Goldcorp's new SVP of Sustainability to continue our discussion on the company's reorganization of its CSR function. The company has made several changes to ensure that departments are better aligned on sustainability issues, and also that mine sites are aligned with regional and corporate priorities. The company indicated that it would explore linking executive compensation to metrics from its Sustainability Excellence Management System (SEMS). We also discussed the implementation of the company's Water Stewardship Strategy. The strategy commits all mine sites to meet ten milestones, which include objectives such as setting a site water balance, calculating a water footprint, setting site-specific water targets, and meeting stakeholder collaboration objectives. All sites are expected to have implemented the milestones fully by the end of 2017.	Ethical Canadian Equity Fund

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<b>Stella-Jones</b>	Stella-Jones is a producer and marketer of pressure treated wood products. <a href="http://www.stella-jones.com">www.stella-jones.com</a>	<ul style="list-style-type: none"> <li>Sustainable forestry</li> <li>Enhancing ESG disclosure</li> </ul>	This dialogue was added during 2015 in response to emerging ESG risks and opportunities. We met with Stella-Jones representatives for the first time in June 2015 to discuss board and management oversight of ESG issues, sustainable forestry practices, and ESG disclosure. The company agreed that ESG performance, in particular strong safety performance, was a material issue. The company has recently certified some of the forests it manages to the Sustainable Forestry Initiative (SFI) standard, but indicated that further certification efforts would be dependent on market demand. We encouraged the company to provide more detail on ESG performance to shareholders. The company was receptive to improving ESG coverage in future disclosure.	Ethical Special Equity Fund
<b>Healthcare &amp; Pharmaceuticals</b>				
<b>Johnson &amp; Johnson</b>	Johnson & Johnson is an American multinational medical devices, pharmaceutical and consumer packaged goods manufacturer founded in 1886. <a href="http://www.jnj.com">www.jnj.com</a>	<ul style="list-style-type: none"> <li>Clinical trials transparency</li> </ul>	This dialogue was resumed during 2015 in response to emerging ESG risks and opportunities. We are participating in a global investor collaboration on clinical trials transparency – an important measure to promote safer and more effective drug development and usage, and ensure the continuing confidence and cooperation of volunteer trial participants. With Robeco, we co-wrote to Johnson & Johnson to explain our views on the importance of clinical trial transparency and invite dialogue. We commended J&J for the work it has already done, such as its agreement with Yale School of Medicine’s Open Data Access (YODA) project, under which it committed to systematically make clinical trial data available to the public, and its commitment to international standards including the Declaration of Helsinki. The company indicated that it was open to dialogue on the issue.	Ethical American Multistrategy Fund Ethical Global Dividend Fund Ethical Global Equity Fund
<b>IT &amp; Telecommunications</b>				
<b>Apple</b>	Apple Inc. is a multinational corporation, based in California, which designs, develops, and sells consumer electronics, software, online services and computers. <a href="http://www.apple.com">www.apple.com</a>	<ul style="list-style-type: none"> <li>Preventing tax base erosion</li> </ul>	Following up on our 2014 shareholder proposal, we joined a global collaboration exploring tax-related ESG risks and emerging good practice in responsible corporate tax strategy, to provide further input for dialogue with Apple and other companies on these issues.	Ethical Balanced Fund

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<b>Constellation Software</b>	Headquartered in Toronto, Constellation Software is an international provider of software and services. <a href="http://www.csisoftware.com">www.csisoftware.com</a>	<ul style="list-style-type: none"> <li>Board diversity</li> </ul>	<p>This dialogue was added during 2015 in response to emerging ESG risks and opportunities. We withheld our vote for incumbent members of the nominating committee of the Constellation Software board at the 2015 AGM because of an absence of gender diversity among the director nominees. Responding to new disclosure requirements on board diversity, Constellation stated that it has no diversity policy or targets in place to increase the representation of women directors. In May 2015 we wrote to the nominating committee of the board to share our perspective on the value of board diversity at public companies. We highlighted research findings pointing to a correlation between diversity and corporate outperformance, and urged Constellation to prioritize development of a board diversity policy and strategy, with explicit goals for the recruitment of director candidates that would contribute to diversity on the board.</p> <p>This dialogue was paused in response to portfolio changes.</p>	
<b>EMC</b>	EMC is a global information technology company, focused on cloud computing. <a href="http://www.emc.com">www.emc.com</a>	<ul style="list-style-type: none"> <li>Respecting privacy and human rights</li> <li>Preventing tax base erosion</li> </ul>	We joined a global collaboration exploring tax-related ESG risks and emerging good practice in responsible corporate tax strategy, to provide further input for dialogue with EMC and other companies on these issues.	<p>Ethical American Multistrategy Fund</p> <p>Ethical Global Equity Fund</p>
<b>Google</b>	Google is an American multinational corporation specializing in Internet-related services and products including, search, cloud computing, software, and online advertising technologies. <a href="http://www.google.com">www.google.com</a>	<ul style="list-style-type: none"> <li>Preventing tax base erosion</li> </ul>	Following up on our 2014 shareholder proposal, we joined a global collaboration exploring tax-related ESG risks and emerging good practice in responsible corporate tax strategy, to provide further input for dialogue with Google and other companies on these issues.	<p>Ethical American Multistrategy Fund</p> <p>Ethical Global Equity Fund</p>

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<b>Mitel</b>	<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"> <li>• GHG emissions and climate policy</li> <li>• Respecting privacy and human rights</li> <li>• Board diversity</li> <li>• Enhancing ESG disclosure</li> </ul>	<p>We met with Mitel in June 2015 to discuss priorities for development of sustainability strategy and ESG disclosure in the context of a growing company. We encouraged Mitel to begin by considering what it could disclose about how it is managing major ESG risks identified in its financial reporting, and also discussed the value of establishing clear lines of responsibility for sustainability matters.</p> <p>The company is aware of current thinking on the value of board diversity, but at present there are no women directors on the board. We explained how the absence of diversity affects our proxy voting and highlighted research findings pointing to the correlation between board diversity and corporate outperformance. We discussed challenges that companies may face when attempting diversity recruitment of directors, and potential solutions. As a first step, we encouraged Mitel to use the new diversity disclosure requirements as an opportunity to give investors more insight into its nominating process.</p> <p>We also discussed the company's anti-corruption strategy, given its increasing global reach. The company was taking steps to address the issue, including due diligence and training activities, and we encouraged Mitel to make reporting on these efforts an early priority for ESG disclosure. The company expressed interest in examples of strong disclosure on anti-corruption management.</p>	Ethical Special Equity Fund
<b>Telecommunication Services</b>				
<b>BCE</b>	<p>BCE is Canada's largest communications company, offering telecommunications, media and other services under the Bell brands.</p> <p>www.bce.ca</p>	<ul style="list-style-type: none"> <li>• Board independence</li> </ul>	<p>We withheld our vote for one director at BCE's 2014 AGM because of independence concerns. BCE contacted us in April 2015 to explain its rationale for considering the director to be independent and encourage us to review our position for the 2015 AGM. We replied to explain that after review we still believed the director should be considered as affiliated to the company, and outlined further how director independence impacts our proxy voting. The dialogue was paused as a result of portfolio changes.</p>	
<b>Manitoba Telecom</b>	<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"> <li>• GHG emissions and climate policy</li> <li>• Respecting privacy and human rights</li> <li>• Enhancing ESG disclosure</li> </ul>	<p>We met with Manitoba Telecom, including the new CEO, in May 2015. We followed up on earlier discussions on ESG disclosure, and agreed to provide feedback on the new latest report. We noted that MTS had recently disclosed its supplier code.</p> <p>Cybersecurity, and how boards are addressing governance of cyber risk, is an emerging ESG issue across all sectors where companies collect and handle data. We shared our perspectives, and MTS agreed this was a timely issue that was receiving significant attention from the board and management. The company would consider how this area of risk mitigation could be addressed in disclosure.</p>	Ethical Special Equity Fund

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			<p>In the context of privacy and human rights, we briefed MTS on the new reporting framework for companies implementing the UN Guiding Principles on Business and Human Rights, explaining that ICT was one of the sectors in which the framework would be piloted.</p> <p>Following up on earlier discussions, we outlined the growing investor interest in responsible tax and enhanced tax disclosure, and briefed the company on a new global collaboration to explore the ESG risks in this area and identify good practices. MTS, which as a regional company takes a relatively conservative approach to tax, expressed interest in the outcomes of this collaboration.</p> <p>We encouraged the company to consider taking a public position on climate policy and carbon pricing in the context of the upcoming Paris Climate Conference and global negotiations on climate policy, and undertook to keep the company informed about opportunities to do so.</p>	
<b>Rogers</b>	<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"> <li>• GHG emissions and climate policy</li> <li>• Respecting privacy and human rights</li> </ul>	<p>We met with Rogers in June 2015 to follow-up on our climate change dialogue. In light of the upcoming Paris Climate Conference and negotiations on global climate policy, we encouraged Rogers to take a leadership position by expressing public support for climate policy and carbon pricing in Canada. We highlighted several initiatives, including the work of the Ecofiscal Commission and CDP's Road to Paris commitments, and the company indicated it would consider such opportunities. We discussed the progress industry and provincial governments are making on advancing climate policy.</p> <p>With regard to its own climate performance, Rogers explained it looks at 17 different areas of emissions to measure its total carbon footprint. It continues to be active in implementing energy efficiency projects and retrofitting to drive down energy costs while the business grows: it has added over 500 cell sites this year. Several of Rogers' data centers are now LEED certified. In April 2015, Rogers was selected as one of Canada's top 100 environmental employers.</p> <p>In 2014 we had shared our observations on Rogers' 2013 CSR report, and we were pleased to note that the company had responded to some of our suggestions in its 2014 report, such as enhanced disclosure on privacy and data security. Rogers noted that this topic was identified as material by customers. The company has moved to GRI G4 reporting. We commended Rogers for the steady improvement in its sustainability reporting, and encouraged the company to continue enhancing its stakeholder feedback process.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>

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<b>Consumer</b>				
<b>Canadian Tire</b>	<p>Canadian Tire Corporation, Limited is a general retailer offering everyday products and services through more than 1,700 retail and gasoline outlets across Canada.</p> <p><a href="http://www.canadiantire.ca">www.canadiantire.ca</a></p>	<ul style="list-style-type: none"> <li>• GHG emissions and climate policy</li> <li>• Sustainable apparel supply chains</li> <li>• Enhancing ESG disclosure</li> </ul>	<p>As the second anniversary of the Rana Plaza factory collapse disaster approached, we wrote to Canadian Tire in April 2015 on behalf of an international investor collaboration coordinated by ICCR. The Alliance for Bangladesh Worker Safety had published an 18-month update on progress, and we asked the company, as an active member of the Alliance, to provide more detail on the financing mechanisms for factory building corrective actions, and on the status of piloting occupational safety and health committees. The company forwarded a response from the Chair of the Alliance.</p> <p>We met with Canadian Tire in June 2015 to continue dialogue on supply chain risk mitigation, responsible sourcing, climate policy and enhancing ESG disclosure. The company outlined priorities for the further development of its corporate citizenship approach. We discussed Canadian Tire's role in the Bangladesh Alliance, and the challenges associated with enhancing worker participation in factory safety. We raised the issue of responsible sourcing of cotton and rayon for the company's Mark's chain. Mark's exposure to cotton is more significant, and it is working with the CottonConnect supply chain sustainability initiative. We also discussed the challenges of responding to regulatory change and public concern about the impact of neonicotinoid pesticides on pollinating insects, within the context of the ornamental plants business.</p> <p>Given the company's innovative approach in integrating analysis of emissions management to business strategy, we discussed the company's stance on climate policy and carbon pricing, highlighting the work of the Ecofiscal Commission. The company indicated that it was aligned with the Retail Council of Canada and Canadian Council of Chief Executives on advancing climate policy.</p> <p>We reiterated our view that the company has a compelling sustainability story that could be communicated more effectively to investors and other stakeholders. The company acknowledged this, and outlined its plans to enhance reporting on ESG issues.</p>	Ethical Canadian Equity Fund
<b>Coca Cola</b>	<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><a href="http://www.coca-cola.com">www.coca-cola.com</a></p>	<ul style="list-style-type: none"> <li>• Access to nutrition</li> <li>• Equitable compensation linked to ESG performance</li> </ul>	<p>In May and June 2015, we corresponded and met with Coca-Cola to share feedback on the earlier meetings and discuss how best to advance a constructive dialogue with the company on the challenging issue of nutrition.</p>	Ethical American Multi-Strategy Fund Ethical Global Equity Fund

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<b>Empire</b>	<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"> <li>• GHG emissions and climate policy</li> <li>• Food system sustainability &amp; access to nutrition</li> <li>• Enhancing ESG disclosure</li> </ul>	<p>We corresponded with Empire in May and June 2015 to set up the next stage of dialogue with the company.</p>	<p>Ethical Special Equity Fund Ethical Canadian Equity Fund</p>
<b>Loblaw</b>	<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"> <li>• GHG emissions and climate policy</li> <li>• Food system sustainability &amp; access to nutrition</li> <li>• Sustainable apparel supply chains</li> <li>• Enhancing ESG disclosure</li> </ul>	<p>As the second anniversary of the Rana Plaza factory collapse disaster approached, we wrote to Loblaw in April 2015 on behalf of an international investor collaboration coordinated by ICCR. The Accord on Fire and Building Safety in Bangladesh had published a quarterly report and a guidance document on financing factory remediation, and we asked the company, as an active member of the Accord, to provide more detail on the financing mechanisms for factory building corrective actions, and on the status of piloting occupational safety and health committees. We corresponded with Loblaw in May and June 2015, and met with investor relations in preparation for further dialogue with sustainability staff.</p>	<p>Ethical Canadian Equity Fund</p>
<b>Lululemon Athletica</b>	<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"> <li>• GHG emissions and climate policy</li> <li>• Sustainable apparel supply chains</li> <li>• Enhancing ESG disclosure</li> </ul>	<p>We corresponded with Lululemon in May and June 2015 to set up the next stage of dialogue with the company.</p>	<p>Ethical Global Equity Fund</p>
<b>Nestlé</b>	<p>Nestlé is a global nutrition and health company, headquartered in Switzerland.</p> <p>www.nestle.com</p>	<ul style="list-style-type: none"> <li>• Food system sustainability</li> </ul>	<p>We joined a collaborative engagement led by GES regarding social concerns in the cocoa supply chain. The investor group wrote to cocoa purchasers, including Nestlé, encouraging strengthened commitments to equitable farm income, access to education, and child labour monitoring systems. Nestlé provided a detailed response outlining its programs and plans for improving social outcomes for cocoa farmers, and expressed openness to further dialogue.</p>	<p>Ethical Global Equity Fund Ethical International Equity Fund</p>

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<b>Unilever</b>	Unilever is a multinational consumer goods company for food, beverages, household and personal care products, co-headquartered in the Netherlands and the UK. www.unilever.com	<ul style="list-style-type: none"> <li>Food system sustainability</li> </ul>	We joined a collaborative engagement to follow up on the findings of the Business Benchmark for Farm Animal Welfare, which evaluates companies on policy and practice in the treatment of farm animals – an emerging area of ESG risk. The investor group wrote to Unilever to highlight its relatively strong performance in the Benchmark and encourage further effort in this area. Unilever was one of only ten companies to be ranked in the top tiers of the Benchmark.	Ethical Global Dividend Fund
<b>Industrial</b>				
<b>Black Diamond Group</b>	Black Diamond Group provides modular buildings, remote accommodation and energy services. www.blackdiamondlimited.com	<ul style="list-style-type: none"> <li>Board diversity</li> </ul>	In April 2015 we received a response to our letter regarding the absence of board diversity at Black Diamond. The company had published a new board diversity and term limits policy in March 2015. While the benefits of diversity were recognized, the board's was concerned that diversity quotas and targets would compromise the principle of meritocracy.	Ethical Special Equity Fund
<b>Boyd Group</b>	Boyd Group is the largest operator of non-franchised collision repair centres in North America. www.boydgroup.com	<ul style="list-style-type: none"> <li>Board diversity</li> </ul>	In April 2015 we received a response to our letter regarding the absence of board diversity at Boyd Group. In the interim, an incumbent director had stepped down and the company had successfully recruited a well-qualified woman director to the board of trustees. In its 2015 proxy circular, the company indicated that although no formal board diversity policy had been adopted as yet, diversity would be considered a point in favour for the assessment of future director candidates.	Ethical Balanced Fund
<b>Caterpillar</b>	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"> <li>Carbon disclosure</li> <li>Respecting human rights</li> <li>Preventing tax base erosion</li> </ul>	<p>Following up on previous engagement, we supported a shareholder proposal on human rights policy at the 2015 Caterpillar AGM, while recognizing that the company had announced plans to publish a new human rights policy incorporating international standards later in 2015.</p> <p>In 2014 Caterpillar was required to testify before a U.S. Senate subcommittee regarding the impact of subsidiary structures on its corporate tax rate. We joined a global collaboration exploring tax-related ESG risks and emerging good practice in responsible corporate tax strategy, to provide further input for dialogue with Caterpillar and other companies on these issues.</p>	Ethical Global Dividend Fund

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<b>CN Rail</b>	The Canadian National Railway Company, headquartered in Montreal, serves Canada and the Midwestern and Southern United States.  www.cn.ca	<ul style="list-style-type: none"> <li>• GHG emissions and climate policy</li> <li>• Oil-by-rail safety</li> </ul>	<p>In May 2015 we participated in CN Rail's stakeholder survey for its corporate responsibility reporting. Amongst other issues, we encouraged CN to enhance disclosure on crude-by-rail safety, and urged the company to issue more frequent and timely information on key ESG topics.</p> <p>Following up on the earlier meeting between CN and ICCR members, we wrote to CN in June 2015, to seek further clarification on the company's crude-by-rail risk mitigation strategies, and its perspective on recent regulatory developments. We also asked for disaggregated disclosure on crude oil shipment volumes and safety performance rates that would enable investors to better evaluate the risks posed by this line of business. CN indicated that it would review our questions.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>
<b>Ryanair</b>	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"> <li>• Carbon disclosure</li> <li>• Enhancing ESG disclosure</li> </ul>	This dialogue, which was planned to continue from 2014, was paused in response to portfolio changes.	
<b>Financials</b>				
<b>Allianz</b>	Allianz is an international financial services company, providing insurance and asset management products.  www.allianz.com	<ul style="list-style-type: none"> <li>• Elimination of cluster munitions</li> </ul>	In April 2015 Allianz responded to our earlier letter sharing our cluster munitions policy, indicating that it excluded companies for direct investment that had involvement in weapons banned under international conventions, including cluster munitions, land mines and chemical and biological weapons. The company suggested that its inclusion in civil society reporting on cluster munitions investment could result from indirect or index investments.	Ethical International Equity Fund
<b>Bank of Nova Scotia</b>	Scotiabank is a leading financial services provider in over 55 countries and is Canada's most international bank.  www.scotiabank.com	<ul style="list-style-type: none"> <li>• GHG emissions, climate policy and energy transition</li> <li>• Elimination of cluster munitions</li> <li>• Preventing tax base erosion</li> <li>• Equitable compensation</li> </ul>	In May 2015, we met with BNS to discuss its recently published 2014 Corporate Social Responsibility report. We were pleased to see enhanced disclosure on environment, which we had asked for in earlier dialogue. As BNS still does not provide specific emissions reduction targets and timelines, we shared perspectives on science-based targets (targets oriented to keeping climate change within internationally-agreed levels). We also reiterated our support for carbon disclosure through the annual CDP survey, and outlined for BNS how we use key CDP data points in our ESG analysis.	<p>Ethical Balanced Fund</p> <p>Ethical Canadian Equity Fund</p>

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			<p>We also learned more about the bank's responsible lending practices, which are primarily targeted at high-risk loans. We encouraged BNS to provide more insight for stakeholders into the type of environmental questions that are integrated to the credit process. We shared our cluster munitions and military evaluation policies with the bank.</p> <p>We also encouraged BNS to consider opportunities to publicly advance climate policy in the run-up to the 2015 Paris Climate Conference, highlighting the work of the Ecofiscal Commission.</p>	
<b>Canadian Western Bank</b>	<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"> <li>• GHG emissions, climate policy and energy transition</li> <li>• Elimination of cluster munitions</li> <li>• Equitable compensation</li> <li>• Enhancing ESG disclosure</li> </ul>	<p>We met with Canadian Western Bank in May 2015 to discuss ESG disclosure and governance issues that impact our proxy voting. We gave our perspective on the bank's sustainability reporting relative to industry peers. We reiterated our support for carbon disclosure through the annual CDP survey, and outlined for CWB how we use key CDP data points in our ESG analysis. We also raised concern at the relatively high level of fees to the external auditor for non-audit work, which had come close to triggering a vote against auditor ratification. Our rationale is that significant non-audit work by the external auditor may create a real or perceived conflict of interest.</p>	Ethical Special Equity Fund
<b>CIBC</b>	<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"> <li>• Equitable compensation</li> </ul>	<p>We voted against the executive compensation plan at the 2015 CIBC AGM because of serious concerns about compensation decision-making relating to the arrangements for the outgoing CEO. CIBC lost the advisory vote.</p>	Ethical Canadian Equity Fund
<b>E-L Financial</b>	<p>E-L Financial is a Canadian financial services company that controls Empire Life, an insurance and wealth management provider.</p> <p>www.empire.ca</p>	<ul style="list-style-type: none"> <li>• Enhancing ESG disclosure</li> </ul>	<p>This dialogue was added during 2015 in response to emerging ESG risks and opportunities. In May 2015, we met with E-L Financial, which controls Empire Life, to brief the company on our approach to evaluating and engaging our portfolio on ESG issues. We noted the challenges that controlled/holding company structures can pose in conducting ESG research, and determining where the responsibility for ESG risk mitigation lies. We shared examples of ESG disclosure by similarly-structured companies, and provided input on approaches to providing adequate ESG disclosure in these situations. We also learned more about the company's perspective on standard models of governance best practices and the challenge of applying them to controlled/holding companies.</p>	<p>Ethical Special Equity Fund</p> <p>Ethical Canadian Equity Fund</p>

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<b>Power Financial</b>	<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"> <li>Enhancing ESG disclosure</li> </ul>	<p>Responding to earlier dialogue, in June 2015 the company notified us that it had expanded its ESG policies and disclosures and developed new CSR websites for Power Financial and Power Corporation. The company now provides a noteworthy example of an approach to sustainability disclosure within a controlled/holding company structure. Over the past year Power Financial has established a set of sustainability priorities, published an environmental policy, enhanced the quality of its carbon disclosure, and joined the UN Global Compact.</p>	Ethical Canadian Equity Fund
<b>Royal Bank of Canada</b>	<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"> <li>GHG emissions, climate policy and energy transition</li> <li>Elimination of cluster munitions</li> <li>Preventing tax base erosion</li> <li>Equitable compensation</li> </ul>	<p>We spoke at the RBC AGM in April 2015 about our continuing dialogue with the company on equitable compensation. We welcomed the bank's adoption of the practice of considering vertical compensation metrics as part of the pay quantum decision-making process. Nevertheless, we encouraged RBC to expand its disclosure on the vertical metrics used, the trends they reveal and how this information influences executive pay.</p> <p>In May 2015 we met with RBC to follow up on a variety of sustainability topics. We asked the company to revert to responding annually to the CDP carbon disclosure survey, rather than biennially. While RBC does publish annual emissions data on its website, being able to retrieve consistent data from a single source facilitates ESG analysis, and the example of participation by leadership companies is important in encouraging lagging companies to begin climate disclosure. We discussed approaches to defining emissions reduction targets, and shared perspectives on science-based target-setting – aligning emissions targets with the effort to keep global warming below 2°C. We also discussed responsible lending practices, which now encompass most of the bank's lending operations and include annual auditing and reporting processes. We shared our cluster munitions and military exclusions policies. We also noted that RBC had included a new section on tax in its 2014 Corporate Responsibility report, responding to discussion in earlier dialogue on the positioning of tax as both a financial and CSR issue.</p> <p>We had a further meeting in May 2015 to discuss the potential for further enhancement in the bank's approach to disclosure on tax. RBC indicated that it was awaiting the outcome of national and international initiatives on reform of tax practice and disclosure, including the OECD process.</p>	Ethical Balanced Fund

Company	Company Overview	ESG Issues	Dialogue Update	Funds*
<b>TD Bank</b>	<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"> <li>• GHG emissions, climate policy and energy transition</li> <li>• Elimination of cluster munitions</li> <li>• Preventing tax base erosion</li> <li>• Equitable compensation</li> </ul>	<p>We met with TD Bank in May 2015 to discuss a range of sustainability issues. The bank is in the process of setting new emissions targets, and is studying the potential of science-based target-setting that aligns emissions reductions with the international goal of keeping global warming under 2°C; we shared perspectives on various science-based methodologies. We noted that TD includes a tax policy section in its corporate responsibility report, and discussed emerging best practices for responsible tax disclosure. We also discussed TD's approach to implementation of responsible lending policy, which includes training for all credit officers, as well as an annual review of the lending portfolio for environmental and other risks. We shared our cluster munitions policy with the bank.</p>	<p>Ethical Balanced Fund Ethical Canadian Equity Fund</p>

## Collaborative Engagement

- We are coordinating a collaborative engagement through ICCR for Canadian and U.S. investors, addressing the risks associated with the transportation of crude oil by rail. As different aspects of risk can best be mitigated by the shippers or the carriers of crude, dialogue targets include both oil companies and railroads, including CN Rail, Union Pacific, Norfolk Southern and Hess.
- We are participating in an international PRI taskforce group to explore further tax-related ESG risks, identify good practices and build relationships with other stakeholders in the responsible tax space. We will incorporate the results of this exploration into our existing engagements on responsible tax.
- We continued to collaborate with other investors to extend the reach of our work on sustainable food systems.
  - We joined a collaborative engagement led by GES regarding social concerns in the cocoa supply chain. In May 2015 the investor group wrote to cocoa purchasers, including Nestlé, encouraging strengthened commitments to equitable farm income, access to education, and child labour monitoring systems.

- We joined a collaborative engagement to follow up on the findings of the Business Benchmark for Farm Animal Welfare, which evaluates companies on policy and practice in the treatment of farm animals – an emerging area of ESG risk. The investor group wrote to companies including Unilever and McDonald's to highlight their relatively strong performance in the Benchmark and encourage further effort in this area. It also wrote to lagging companies asking them to address animal welfare in their disclosure.

## Public Policy & Standards

- We continued our efforts to advance the development of effective climate policy in the run-up to the 2015 Paris Climate Conference:
  - In April 2015 we were a signatory to an investor letter to the U.S. Securities Exchange Commission asking for enhanced oversight of issuer disclosure on climate change risks. Companies are required to disclose on these risks but in many cases the results have failed to meet investor expectations.

- As a holder of Province of Alberta bonds, and an investor in Alberta energy companies, in June 2015 we wrote to the new Premier of Alberta to indicate our support for the province's plans to update its climate policy. We highlighted the importance of a credible and broad-based price on carbon, the role that Boreal conservation should play in climate strategy, and the opportunity to incent innovation in low carbon technologies.
- In June 2015 we also organized a webinar to inform investors about the work of the Ecofiscal Commission, a group of Canadian economists with support from across the political spectrum that explores fiscal policies with ecological benefits, and which recently released a report supporting carbon pricing in Canada. The webinar was intended to increase awareness and support for the work of the commission and highlight the importance of carbon pricing for long-term investors.
- In June 2015 we submitted comments to the Organisation for Economic Cooperation and Development (OECD) consultation on its Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector. We expressed support for the inclusion of strong language on the need for free, prior and informed consent (FPIC) and made several recommendations, including increasing the visibility of human rights obligations, enhancing transparency of human rights impact assessments, and addressing the issue of cumulative effects.
- In June 2015 we were signatory to a letter to the Roundtable on Sustainable Palm Oil (RSPO), coordinated by Green Century and the New York State Common Retirement Fund, asking it to strengthen the standards for the certification of sustainable palm oil – a widely-used ingredient in food and personal care products that can be associated with tropical deforestation. The signatories included both institutional investors and consumer brands.
- 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. We participated in several rounds of consultation on how to encourage companies to begin reporting on ESG issues, drawing on our engagement experience with smaller issuers within the Ethical Special Equity Fund. In June 2015 we met with TSX to discuss recent ESG developments, and we also wrote to the new Aequitas NEO exchange to introduce the SSE initiative.
- In June 2015 we were signatory to a letter to the Securities Exchange Commission asking it to protect shareholder rights to file proposals, in the face of pressure from issuers to greatly extend the scope to exclude proposals from the proxy where management has included a proposal on a similar topic. Although we rarely need to use it, given our preference for long-term constructive dialogue, nevertheless we value the right to file proposals where a company has consistently refused engagement, or the engagement has stalled.

\* 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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