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leader in
Socially
Responsible
Investing

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 Updates	Holdings
ENERGY				
Altagas	AltaGas is a North American-focused energy infrastructure company with assets in gas, power, and utilities. www.althagas.ca	<ul style="list-style-type: none"> GHG emissions, climate policy and energy transition Responsibility to respect human rights Enhancing ESG disclosure 	We met with AltaGas in January 2016 to explore its plans for strategic diversification into renewable energy. We also discussed its significant focus on Aboriginal engagement: the company agreed that expertise in this area could be critical in developing future renewable energy partnerships with First Nations communities. AltaGas indicated that it planned to enhance ESG disclosure and invited further input on this topic.	Ethical Special Equity Fund
CNRL	Canadian Natural Resources Limited (CNRL) is an oil and gas exploration, development and production company with its corporate head office in Calgary, Alberta. www.cnrl.com	<ul style="list-style-type: none"> Oil sands GHG emissions, climate policy and energy transition Unburnable carbon and stranded assets 	In March 2016 the Alberta Energy Regulator released its final report on the bitumen leak at CNRL's Primrose facility, confirming that over-steaming led to the problem, but noting that the company had not contravened the regulations. CNRL was ordered to reduce steaming at the site.	Ethical Balanced Fund Ethical Canadian Equity Fund

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Ensign Energy Services	Based in Calgary, Ensign Energy Services delivers oilfield services in Canada, the U.S. and internationally. www.ensignenergy.com	<ul style="list-style-type: none"> GHG emissions, climate policy and energy transition Board diversity 	In March 2016 Ensign responded to our earlier letter to the board providing feedback on our proxy voting. Responding to our request, the company indicated that it planned to introduce an advisory vote on compensation at the 2016 AGM. It acknowledged the value of board diversity and would explore further the need for a diversity policy. Regarding our call to enhance disclosure on risks to its business model posed by climate change, the company provided some background on actions it was taking, but did not commit to further disclosure.	<p>Ethical Canadian Equity Fund</p> <p>Ethical Special Equity Fund</p>
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"> GHG emissions, climate policy and energy transition Board diversity Enhancing ESG disclosure 	We met with Gibson in January 2016 to continue our dialogue on ESG disclosure, board diversity and corporate governance good practices. The company indicated that it had followed several of our recommendations on its compensation framework. Notably, the company would introduce a say-on-pay vote at the 2016 AGM. It would also strengthen the link between safety performance and executive compensation, while significantly reducing the use of options. Responding to our dialogue, the company would be providing specific ESG disclosure in 2016, and invited feedback.	Ethical Canadian 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"> GHG emissions, climate policy and energy transition Board diversity Enhancing ESG disclosure 	<p>We met with Mullen in January 2016 to continue discussions on business diversification, board diversity and ESG disclosure. The company noted that growing the businesses of non-oil and gas transportation services and environmental services was an explicit strategic goal. Mullen's ESG disclosure had improved, but the company was open to input on possible further enhancements.</p> <p>In February 2016 the board responded to our earlier letter providing feedback on corporate governance practices. The company had not yet adopted a diversity policy, but expressed willingness to discuss the idea.</p>	Ethical Special Equity Fund
Parkland Fuel	Parkland Fuel Corporation delivers refined petroleum products across North America. www.parkland.ca	<ul style="list-style-type: none"> GHG emissions, climate policy and energy transition Enhancing ESG disclosure 	We met with Parkland Fuel in January 2016 to continue our discussions on the importance of a strong safety culture, and the impact of employee engagement on customer satisfaction. The company agreed that ESG disclosure could be improved and asked for examples of good practice. Regarding risks and opportunities associated with the energy transition, decreasing demand for petroleum products was acknowledged in the company's long-term strategy, but Parkland planned to position itself as a key player in a smaller market. It was also working to diversify its business through contracts to deliver biofuels. The company was following developments that could decrease its own environmental footprint but planned to acquire efficiency technologies rather than developing them itself.	Ethical Special Equity Fund

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Secure Energy	Secure Energy Services Inc. provides fluids and solids solutions to the oil and gas industry. www.secure-energy.com	<ul style="list-style-type: none"> GHG emissions, climate policy and energy transition Board diversity Enhancing ESG disclosure 	We met with Secure Energy Services in January 2016 to discuss the company's efforts to grow its environmental services division. Several pilot projects were underway that, if successful, could help expand the company's water recycling business. However, the low oil price was depressing activity across all sectors. The company was exploring diversification strategies in environmental services beyond oil and gas, and watching for new opportunities related to Alberta's climate policy. Secure acknowledged it could improve ESG reporting and invited us to provide good practice examples.	Ethical Special Equity Fund
Suncor	Suncor Energy Inc. is Canada's largest integrated energy company, focused on development of the Athabasca oil sands. www.suncor.com	<ul style="list-style-type: none"> Oil sands GHG emissions, climate policy and energy transition Unburnable carbon and stranded assets Oil-by-rail safety 	Throughout 2015 we had engaged Suncor on the emerging idea of management-supported shareholder proposals on strategic resilience in a low-carbon future. We were therefore delighted when in early 2016 the company's board and management recommended to investors a vote FOR our shareholder proposal on this topic - a precedent-setting development in the North American energy space. If passed, the proposal would give the company a clear mandate from shareholders to integrate more discussion on how it is navigating the energy transition to its on-going investor-facing communications, including topics such as diversification, innovation and carbon pricing.	Ethical Canadian Equity Fund
Materials				
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"> GHG emissions and climate policy Responsible water use Respecting human rights 	In February 2016, we met with Goldcorp to discuss the company's CSR priorities for the year. Responding to a key dialogue request, the company indicated it would be disclosing the results of the Marlin Mine human rights impact assessment (HRIA) update during 2016. We provided further comment on the new Human Rights Policy, suggesting that the language on free, prior and informed consent (FPIC) could be stronger. Noting our input, the company indicated that it continued to work on how to disclose the implementation of FPIC. We asked about progress in implementing the Sustainability Excellence Management System (SEMS) and various environmentally-linked strategies. The company was planning to develop an internal sustainability performance index that would eventually link to compensation company-wide. We discussed a recent mine fatality and asked for an update on the development of corporate safety indicators. The company reiterated its commitment to safety.	Ethical Canadian Equity Fund

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Health Care				
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"> Access to medicine Clinical trials transparency Preventing tax base erosion 	<p>In January 2016 we were signatory to a collaborative engagement letter coordinated by As You Sow asking pharmaceutical companies, including Johnson & Johnson, to support prescription drug take-back programs in the U.S. similar to those in other countries, including Canada. Improper disposal of pharmaceuticals contributes to illicit drug use and pollution harmful to people and the environment.</p> <p>In February 2016 we met with Johnson & Johnson's new corporate secretary to provide an overview of our engagement interests.</p> <p>As an investor supporter of the Access to Medicine Index, in February 2016 we took the lead in writing to Johnson & Johnson as part of a collaborative engagement representing investors with over US\$5 trillion in assets under management, asking the company to participate as fully as possible in the index data collection process. Johnson & Johnson responded that it was in the process</p>	<p>Ethical American Multistrategy Fund</p> <p>Ethical Global Dividend Fund</p> <p>Ethical Global Equity Fund</p>
Novartis	Novartis is a global healthcare company, based in Switzerland. www.novonordisk.com	<ul style="list-style-type: none"> Access to medicine 	<p>In January 2016 we were signatory to a collaborative engagement letter coordinated by As You Sow asking pharmaceutical companies, including Novo Nordisk, to support prescription drug take-back programs in the U.S. similar to those in other countries, including Canada. Improper disposal of pharmaceuticals contributes to illicit drug use and pollution harmful to people and the environment.</p> <p>As an investor supporter of the Access to Medicine Index, in February 2016 we were signatory to a collaborative engagement letter to Novo Nordisk asking the company to participate as fully as possible in the index data collection process.</p>	<p>Ethical International Equity Fund</p>

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Roche	<p>Roche is a global healthcare company, headquartered in Switzerland.</p> <p>www.roche.com</p>	<ul style="list-style-type: none"> Access to medicine 	<p>In January 2016 we were signatory to a collaborative engagement letter coordinated by As You Sow asking pharmaceutical companies, including Roche, to support prescription drug take-back programs in the U.S. similar to those in other countries, including Canada. Improper disposal of pharmaceuticals contributes to illicit drug use and pollution harmful to people and the environment.</p> <p>As an investor supporter of the Access to Medicine Index, in February 2016 we were signatory to a collaborative engagement letter to Roche asking the company to participate as fully as possible in the index data collection process.</p>	Ethical International Equity Fund
Sanofi	<p>Sanofi is a global healthcare company headquartered in France.</p> <p>www.sanofi.com</p>	<ul style="list-style-type: none"> Access to medicine 	<p>In January 2016 we were signatory to a collaborative engagement letter coordinated by As You Sow asking pharmaceutical companies, including Sanofi, to support prescription drug take-back programs in the U.S. similar to those in other countries, including Canada. Improper disposal of pharmaceuticals contributes to illicit drug use and pollution harmful to people and the environment.</p> <p>As an investor supporter of the Access to Medicine Index, in February 2016 we were signatory to a collaborative engagement letter to Sanofi asking the company to participate as fully as possible in the index data collection process.</p>	Ethical International Equity Fund

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IT				
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"> • Respecting privacy and human rights • Board diversity • Cybersecurity governance • Anti-corruption • Enhancing ESG disclosure 	<p>We met with Mitel in February 2016, to continue our dialogue on anti-corruption and other governance-related topics. Mitel provided more detail on anti-corruption efforts, and we agreed that this topic was critical for companies that were growing internationally. We encouraged the company to make anti-corruption policy and process a disclosure priority. At present there is no gender diversity on the Mitel board. We discussed how boards could demonstrate a commitment to diversity through targets and disclosure on nomination processes, even if that commitment did not translate immediately into the successful recruitment of women directors. We also encouraged the company to introduce a say-on-pay vote, as otherwise the only avenue through which we could express concern was by withholding votes from compensation committee directors. The company indicated it would take our feedback into consideration. We followed up with Mitel to provide good practice examples of board diversity disclosure among special equity companies.</p>	Ethical Special Equity Fund
Telecom				
BCE	<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"> • Equitable compensation 	<p>We wrote to the board of BCE in February 2016 asking for clarification of the position it had taken on equitable compensation and the use of vertical pay metrics in responding to a shareholder proposal filed by Mr. William Davis. BCE responded that it would take our concerns under consideration. In the 2016 proxy circular, the company stated that it considered internal equity but did not address the use of vertical metrics.</p>	Ethical Balanced Fund

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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 • Respecting privacy and human rights • Cybersecurity governance • Equitable compensation 	<p>We met with Telus in January 2016 to discuss a variety of corporate governance topics. The Telus board has several interlocks (directors serving together on more than one board). We outlined our concern that excessive interlocks could indicate a narrow search for director candidates. We congratulated Telus on achieving its board diversity target. The company expressed interest in our suggestion of framing diversity objectives in a gender-neutral way (30-40% of each gender, rather than a minimum percentage of women). We continued our dialogue on executive pay, commending the company for being one of the first in Canada to begin addressing equitable compensation in disclosure. We encouraged the company to consider various forms of vertical metrics that might be relevant to its sector and structure. As the company expressed interest, we followed up with international examples of good practice.</p>	Ethical Canadian Equity Fund
Consumer				
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"> • Access to nutrition • Equitable compensation linked to ESG performance 	<p>In February 2016, we joined a collaborative dialogue coordinated by ICCR on Coca-Cola's water stewardship program and strategy. We were encouraged by the company's account of its work on water and detailed tracking of water replenishment projects.</p> <p>Also in February 2016, we met Coca-Cola to follow up on our earlier proxy feedback letter, providing more detail on our concerns about the combination of the chair and CEO positions and the magnitude and equity of CEO pay. The company noted our concerns, reiterating the rationale for combining the roles of chair and CEO and describing how the executive compensation was evolving.</p> <p>We had ongoing contact with the company to plan next steps in the collaborative dialogue on nutrition and responsible marketing.</p>	<p>Ethical Balanced Fund</p> <p>Ethical Global Equity Fund</p> <p>Ethical American Multistrategy Fund</p>

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Empire (Sobeys)	<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"> Food waste, animal welfare and access to nutrition Cybersecurity governance Enhancing ESG disclosure 	<p>In March 2016 we wrote to Empire to provide more background on our ESG investment process and outline our perspective on supply chain and other risks in the grocery retail sector, as a prelude to further dialogue.</p>	<p>Ethical Special Equity Fund</p> <p>Ethical Canadian Equity Fund</p>
Jean Coutu	<p>Jean Coutu is a Canadian drugstore chain headquartered in Quebec.</p> <p>www.jeancoutu.com</p>	<ul style="list-style-type: none"> Enhancing ESG disclosure 	<p>As part of an outreach initiative to smaller consumer companies within our holdings, we wrote to Jean Coutu in January 2016 to provide background on developments in responsible investment and open dialogue on emerging ESG issues in the retail sector.</p>	<p>Ethical Special Equity Fund</p>
Kellogg	<p>The Kellogg Company is a multinational food company headquartered in Michigan.</p> <p>www.kelloggcompany.com</p>	<ul style="list-style-type: none"> Access to nutrition 	<p>We joined an ICCR collaborative engagement in March 2016, meeting with Kellogg to discuss the company's nutrition and responsible marketing programs and access to healthy foods initiatives.</p>	<p>Ethical Special Equity Fund</p>
Lassonde Industries	<p>Lassonde Industries is a Quebec-based food company.</p> <p>www.lassonde.com</p>	<ul style="list-style-type: none"> Enhancing ESG disclosure 	<p>As part of an outreach initiative to smaller consumer companies within our holdings, we wrote to Lassonde in January 2016 to provide background on developments in responsible investment and open dialogue on emerging ESG issues in the processed foods sector.</p>	<p>Ethical Special Equity Fund</p>

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Leon's	Leon's is a Canadian furniture and appliance retailer. www.leons.ca	<ul style="list-style-type: none"> Enhancing ESG disclosure 	As part of an outreach initiative to smaller consumer companies within our holdings, we wrote to Leon's in January 2016 to provide background on developments in responsible investment and open dialogue on emerging ESG issues in the retail sector.	Ethical Special Equity Fund
Metro	Metro Inc. is a food retailer operating in the provinces of Quebec and Ontario, based in Montreal. www.metro.ca	<ul style="list-style-type: none"> Food waste, animal welfare and access to nutrition Cybersecurity governance Enhancing ESG disclosure 	In March 2016, we wrote to the company to provide feedback on our proxy voting at the 2016 AGM. We were able to support all voting items on the ballot due to Metro's responsiveness in addressing concerns raised in our proxy feedback after the 2015 AGM. We commended the disclosure of a clear diversity policy and target, while encouraging the company to clarify the proportion of options within compensation awards and create linkages between pay and goals within the new corporate responsibility plan.	Ethical Balanced Fund Ethical Canadian Equity Fund
Financial				
Canadian Western Bank	Canadian Western Bank and its operating affiliates offer a diversified range of financial services. www.cwbankgroup.com	<ul style="list-style-type: none"> GHG emissions, climate policy and energy transition Elimination of cluster munitions Equitable compensation Enhancing ESG disclosure 	We wrote to the board of Canadian Western Bank in December 2015 to provide feedback on our voting at the 2015 AGM. While we were encouraged by the company's intention to reduce the use of stock options, we were concerned that the long-term incentive plan was still not sufficiently performance-based. We also shared our perspective on emerging equitable compensation disclosure practices at Canadian banks. In addition, we shared our cluster munitions policy with bank contacts.	Ethical Special Equity Fund

Collaborative Engagement

Making Pharma Better:

- As an investor supporter of the Access to Medicine Index, in February 2016 we were signatory to collaborative engagement letters asking pharma companies including Johnson & Johnson, Novartis, Novo Nordisk, Roche and Sanofi to participate as fully as possible in the index data collection process.
- In January 2016 we were signatory to a collaborative engagement letter coordinated by As You Sow asking pharma companies including Johnson & Johnson, Novo Nordisk, Roche and Sanofi to support prescription drug take-back programs in the U.S. similar to those in other countries, including Canada.

Public Policy & Standards

Getting Real about the Energy Transition

We continued to give the high priority to climate and energy policy issues:

- In January 2016 we met with CDP at its request to provide specific feedback on recent developments, including the decision to start charging companies for reporting. We met again in February to provide feedback on CDP's five year strategic plan.
- In February 2016 we met with the Aluminium Stewardship Initiative (ASI) to learn more about industry efforts to create a certification system for responsible aluminum production. The ASI is a multi-stakeholder group promoting responsible aluminum production and use throughout the product life cycle. ASI has initiated a working group to investigate how this energy-intensive industry can align with a low-carbon future.
- In March 2016 we submitted comments on the Ontario Government's Climate Change Mitigation and Low-Carbon Economy Act through our participation in the Clean Economy Alliance.
- In March 2016 we submitted comments on the B.C. Climate Change Leadership Plan, calling for a robust climate change policy update. Specifically, we expressed support for the recommendations of the Climate Leadership Team and asked B.C. to align with Alberta on emissions reduction goals for methane, a powerful greenhouse gas.
- In March 2016 we joined 130 businesses asking the government of B.C. to continue using carbon pricing as a key climate policy strategy and to follow a specific recommendation of the Climate Leadership Team on increasing the stringency of the carbon tax.
- In March 2016 we co-wrote an op-ed highlighting the potential for federal and provincial governments to take decisive action on setting methane emissions reduction goals.

Responsibility to Respect:

- In February 2016 we were signatory to an investor letter to the U.S. Securities and Exchange Commission in support of updated requirements for extractive industry payments transparency under Section 1504 of the Dodd-Frank Act.

Governance Matters

- In February 2016 we presented at governance workshops for issuers organized by TSX and the Alberta and B.C. Securities Commissions, providing insight into our proxy voting practices, including how lack of board diversity affects our vote decisions.

Enabling Responsible Investment:

- We submitted comments to the International Corporate Governance Network (ICGN) on its draft Stewardship Code, putting forward a definition of investor stewardship that embraced integration of ESG risks, consideration of systemic risks, and respect for absolute values such as human rights. We also provided input to ICGN on its diversity guidance documents.
- We were signatory to a letter to the U.S. Securities and Exchange Commission led by NBIM supporting the approval of stock exchange status for IEX.