

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



Every year on behalf of Ethical Funds' investors, the NEI Investments ESG Services team produces a Focus List. This list identifies companies that we target to encourage the adoption of sustainable and positive environmental, social and governance practices.

Companies listed here as part of our Corporate Engagement Program Report may or may not be held in Ethical Funds at this specific time. To confirm if a company listed is currently held in Ethical Funds please contact your Sales Representative.

Company	Themes	Activity
Oil & Gas		
→ Apache	<ul style="list-style-type: none"> Hydraulic fracturing Gas development in Northern BC 	<p>This is a new addition for the 2013 Focus List. We met with Apache in November 2012 and discussed the company's plans for natural gas development in north-east BC, its approach to hydraulic fracturing, and the need for a regional strategic environmental assessment. The company currently has no plans to develop its assets in NE BC further until there is an increase in gas prices.</p> <p>The company was an active participant in the creation of the FracFocus website for disclosure of frack fluid components, and is a partner with Encana in the Debolt water treatment plant in BC – an initiative to use a saline aquifer as source water for fracking operations.</p>
↗ BG Group	<ul style="list-style-type: none"> Human rights Gas development in Northern BC 	<p>We met with BG Group in August 2012 to discuss the implementation of its human rights policy. The company appears to have a robust human rights due diligence process. This aspect of the dialogue was paused when the portfolio manager sold the holding.</p> <p>The company also has plans to develop a liquefied natural gas (LNG) plant in BC. We will discuss regional development plans with the company later in 2013 in the context of our Boreal Leadership Council activities.</p>
↗ Cenovus	<ul style="list-style-type: none"> Oil sands Innovation Reasonable compensation linked to ESG performance 	<p>In November 2012 we met with Cenovus to discuss our reasons for voting against the company's executive compensation plan at the 2012 AGM. We discussed the need for greater detail on the metrics used to measure environmental and safety performance, and on how this performance impacted executive pay. We also called for explicit links between innovation performance and executive compensation. The company has indicated that our input will be used to inform the decisions of the compensation committee. We will consider next steps based on compensation disclosure in the 2013 proxy circular.</p> <p>We participated in the Cenovus stakeholder panel in October 2012 and asked the company to take a stronger leadership position on issues such as climate change policy, industry innovation, and cumulative impacts management. We will continue to engage on these themes in 2013.</p> <p>We met with Cenovus' Chief Executive Officer in January 2013 to express our support for the company's focus on innovation and environmental improvements. Cenovus stated that it is working towards a step change in in-situ extraction technology that should have positive impact on water use and GHG emissions in future.</p>

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

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→ CNRL	<ul style="list-style-type: none"> Oil sands Reasonable compensation linked to ESG performance 	<p>We have been communicating with the CNRL board on our reasons for voting against the company's executive compensation plan once again at the 2012 AGM. In particular, we have asked for greater emphasis on environmental and safety metrics, and more disclosure on how environmental and safety performance impacts actual pay. The company's compensation practice has shown much improvement over the past two years, and the proxy circular now indicates clearly that environmental and social performance is taken into account. However, in our opinion the use of discretion in determining the impact of ESG performance on final pay remains excessive. We will continue to engage on this topic.</p> <p>In 2013 we will continue dialogue with the company on the environmental performance of its oil sands projects.</p> <p>We met with the company's Chief Financial Officer in January 2013, and expressed concern that the company did not appear to focus adequate attention on innovation, based on its public disclosure. The company stated that it had a significant research & development program that was larger than many of its peers. We stressed that innovation is a highly material issue for investors, and encouraged the company to improve disclosure on this front.</p>
✘ Enbridge	<ul style="list-style-type: none"> Aboriginal opposition to Northern Gateway project Pipeline safety Reasonable compensation linked to ESG performance 	<p>In Fall 2012 we wrote to the Enbridge board to explain our decision to vote against the executive compensation plan once again at the 2012 AGM, and expressed our desire to see compensation linked explicitly to ESG performance. The company has indicated that environmental and safety performance will have more influence on executive pay in future. While we have encouraged the company to better explain how ESG performance is measured and to increase its influence on CEO pay, Enbridge now has sector-leading linkage between safety and environmental performance and pay.</p> <p>In November 2012 we met with the Enbridge board, including the CEO, to discuss our concerns over First Nations opposition to the Northern Gateway Pipeline project. This followed a meeting with senior management responsible for Gateway in September 2012. Our message to the company and board was that it will not be possible for Gateway to progress in the face of significant opposition from First Nations communities, and that the company should state that it will not proceed with the project if it cannot gain consent. The board indicated that, while it understood the level of opposition to the project, it did not agree with our suggested response. We believe the company could face significant legal, operational and reputational risks, and that there is no further scope for dialogue at present. As a result, it was decided that Ethical Funds would divest from the company.</p>
→ Encana	<ul style="list-style-type: none"> Hydraulic fracturing Gas development in Northern BC Reasonable compensation linked to ESG performance 	<p>We met with Encana in October 2012 to discuss our reasons for voting against the company's executive compensation plan at the 2012 AGM, highlighting our concerns about the linkage between ESG performance and compensation. The company has improved its disclosure on this linkage and has incorporated several of our previous suggestions, including detailing the impact that ESG performance has on final pay. As a result we were able to note that only 3% of the CEO's bonus was explicitly linked to ESG performance. We also asked the company to provide better disclosure on how performance is evaluated and to increase the extent to which the long-term incentive plan is linked to performance. We will consider next steps based on compensation disclosure in the 2013 proxy circular.</p> <p>We met with the company in November 2012 to discuss its plans for increased disclosure on fracking practices and incorporation of best practices to mitigate the risks of fracking. We also raised the need for a regional strategic environmental assessment in north-east BC. The company expressed interest in further dialogue on the topic and we will be following up on this issue in 2013.</p> <p>We met with the company's senior executives in January 2013 to express support for the company's efforts to mitigate its environmental impacts, and to learn how it encourages innovation. The company appears to have a robust framework for innovation that acknowledges the need to allow for failure. It confirmed that water was one of its key focus areas.</p>

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

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↗ Ensign Energy Services	<ul style="list-style-type: none"> Sustainability performance of oil and gas contractors Reasonable compensation linked to ESG performance 	<p>This is a new addition for the 2013 Focus List. We met with Ensign for the first time in November 2012, discussing the company's commitment to safety and its strategy for maintaining performance in this area. The company appears to view safety performance as a differentiator for seeking business.</p> <p>We also shared examples of best practice in linking ESG performance to executive compensation and encouraged the company to consider adopting them.</p>
→ Royal Dutch Shell	<ul style="list-style-type: none"> Human rights Oil sands Gas development in Northern BC 	<p>We have been engaging with Shell on the topic of support for a regional strategic environmental assessment in north-east BC to address the cumulative impacts of gas development. We will be meeting with the company in early 2013 to discuss this topic, as well as its strategy for engaging with First Nations in BC. As well, we have been following developments in the lawsuit the company is facing under the Alien Tort Statute in regard to its Nigerian operations. We are concerned that the company's legal strategy is not aligned with its CSR mandate.</p> <p>We are also following developments on the company's application for the Jackpine oil sands mine expansion and will be raising the issue of cumulative impacts of oil sands development.</p>
↗ Suncor	<ul style="list-style-type: none"> Oil sands Biodiversity protection Reasonable compensation linked to ESG performance 	<p>Although we voted against the compensation plan at the 2012 AGM, the linkage of compensation to ESG performance in the proxy circular has improved. Disclosure now includes specific indicators and reveals the percentage of pay that depends on environmental performance. But Suncor still does not disclose the targets against which performance was judged. We have been engaging the compensation committee on this issue and expect to see further improvements in the 2013 proxy circular.</p> <p>In October 2012 we met with the company to discuss its caribou management plans; the impacts of the proposed Fort Hills project on important wetland ecosystems; and to convey our concerns about the use of end-pit lakes in the company's reclamation plan. We will be following up on these issues in 2013.</p> <p>In November 2012 we provided feedback to the company on its sustainability reporting, and among other things called for more detail on the company's efforts to influence government policy on issues such as climate change, land use planning and wetlands management.</p> <p>In April 2013 we provided feedback to the company on its sustainability disclosure strategy, encouraging the company to increase disclosure on lobbying activities and submissions to government consultations.</p>

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

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↗ Talisman	<ul style="list-style-type: none"> Hydraulic fracturing Free, prior and informed consent of indigenous peoples Gas development in Northern BC Reasonable compensation linked to ESG performance 	<p>Talisman has an industry-leading policy that incorporates the principle of free, prior and informed consent (FPIC). We seek to understand how this policy is being implemented both internationally and in Canada. In 2012 we met with a delegation of Achuar from Peru to hear their perspective on the implementation of Talisman's FPIC policy. The company subsequently announced its intention to leave Peru based on economic considerations.</p> <p>We voted against the compensation plan at the 2012 AGM and wrote to the board to explain why. While Talisman has industry-leading transparency on the link between ESG performance and executive compensation, we were critical of other aspects of the compensation plan, including the use of discretion and the lack of a claw-back policy. The chair of the compensation committee responded to our letter, indicating that where possible Talisman will seek to improve disclosure use of discretion and that it is monitoring developments on claw-back policies. We will consider next steps based on compensation disclosure in the 2013 proxy circular.</p> <p>We also met with Talisman in November 2012 to discuss its operations in north-east BC. The company has developed a set of shale gas operating principles and we have encouraged it to disclose how it is following these principles in the region. As well, we raised the need for a regional strategic environmental assessment for NE BC. The company expressed interest in further dialogue on the topic and we will be following up on this issue in 2013.</p> <p>In January 2013 we met with Talisman senior executives, urging the company to continue to prioritize CSR efforts as it seeks to reduce its workforce. The company stated that it had no plans to scale back the CSR department and continued to see ESG performance as a critical aspect of its business. We were also assured that the company continues to implement the FPIC policy in its Colombian operations, and that it had decided not to operate in the one portion of the lease where it did not have FPIC.</p>
Mining, Forestry & Materials		
↗ Barrick Gold	<ul style="list-style-type: none"> Human rights Free, prior and informed consent of indigenous peoples Water risk management 	<p>We met with senior management in January 2013 and discussed the importance of the company's corporate responsibility and human rights initiatives. The company expressed its commitment to being a leader in both the production and CSR aspects of mining. The company is currently working on the pilot for a human rights impact assessment program. We encouraged the company to make public the details of the program.</p> <p>This dialogue was paused when the portfolio manager sold the holding.</p>
↗ Domtar	<ul style="list-style-type: none"> Sustainable forest products 	<p>This is a new addition for the 2013 Focus List. In December 2012 we wrote to the Domtar board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM. We received a reply outlining the board's perspective, and will follow up after the 2013 AGM.</p> <p>In March 2013 we met with company representatives to discuss Domtar's commitment to sourcing sustainable wood fibre. The company appears to be supporting its supply base to become certified to the highest industry sustainable forestry standard (FSC). It is also improving the energy and waste footprint of its mills. We will follow up with operational staff to learn more about its supplier program.</p>

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

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↗ Goldcorp	<ul style="list-style-type: none"> Human rights Free, prior and informed consent of indigenous peoples Water risk management Sustainable mine closure 	<p>In previous years we have engaged Goldcorp on various environmental and human rights topics. Our intention is to continue this dialogue and expand it to encompass sustainable mine closure.</p> <p>In December 2012 we wrote to the board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM. In February 2013, we met with the compensation committee of the board to discuss our concerns, and urged the company to enhance disclosure on the linkage of compensation to ESG performance. The committee was receptive to our input, clarified how sustainability is taken into account in compensation decisions, and indicated that safety indicators will be integrated in future. We suggested that the committee should consider including further key ESG metrics that are already being disclosed in its sustainability reporting.</p>
↗ New Gold	<ul style="list-style-type: none"> Free, prior and informed consent of indigenous peoples Sustainable mine closure 	<p>This is a new addition for the 2013 Focus List. We met with New Gold company representatives in January 2013 to discuss the company's CSR program, and were invited to meet with operational staff to discuss social license issues and mine closure programs in more detail. We encouraged the company to maintain its strong reporting record.</p> <p>We had a further meeting with New Gold in April 2013. Our discussions focused on mine closure activities and the company's success in securing social license at its various projects. The company emphasized its ongoing CSR commitment and belief in working with communities on projects.</p>
↗ Potash Corporation	<ul style="list-style-type: none"> Water risk management Sustainable mine closure 	<p>We had discussions with Potash company representatives twice in March 2013 on mine closure practices and water strategy. The company's approach to mine closure is well structured. Its water programs are also well developed at the site level. We will follow up with the company to discuss human rights initiatives and disclosure improvements relating to its supplier relationship in the disputed territory of Western Sahara.</p>
↗ Winpak	<ul style="list-style-type: none"> Water risk management Sustainable packaging 	<p>This is a new addition for the 2013 Focus List. We met with Winpak representatives in April 2013 to discuss its sustainable packaging objectives. Company priorities include supporting food safety through appropriate packaging, providing packaging solutions that respond to demographic changes in society, and decreasing the amount of input raw materials in packaging. Given the nature and location of its operations, the company's exposure to water risk appears relatively low. We also encouraged the company to increase its disclosure on key ESG topics, within the constraints posed by a relatively small corporate office. The company was receptive to this suggestion, and we will follow up by providing input on ESG disclosure topics that we consider to be of particular interest from an investor perspective.</p>
↗ Yamana Gold	<ul style="list-style-type: none"> Free, prior and informed consent of indigenous peoples Reasonable compensation linked to ESG performance 	<p>This is a new addition for the 2013 Focus List. We met with Yamana Gold representatives in January 2013 to discuss mine safety and the company's efforts to maintain social license, including the potential challenges arising from its operations in Latin America. The company was receptive to our concerns, and outlined its efforts to find opportunity in these challenges through hiring and procurement practices that benefit local people, outreach to the community, and leadership philosophy.</p> <p>There is an explicit link between executive compensation and mine safety performance.</p> <p>This dialogue was paused when the portfolio manager sold the holding.</p>

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

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Utilities		
↗ Canadian Utilities	<ul style="list-style-type: none"> Enhanced climate disclosure 	<p>In November 2012, we wrote to ATCO/Canadian Utilities to express our concern regarding the timeliness and availability of ESG disclosures. Specifically, we asked the company to explain the rationale for not responding to the Carbon Disclosure Project information request in 2012.</p> <p>In March 2013, we met with company representatives to highlight the importance to investors of annual disclosure on key ESG issues, including climate risk. The company has stated that it currently focuses on publishing a biennial report according to the Global Reporting Initiative (GRI) standards. We provided input on ESG metrics that we consider most relevant for companies in this sector, and will continue to monitor the adequacy of company's disclosure to ensure that it is meeting stakeholder information needs.</p>
Healthcare & Pharmaceuticals		
→ Johnson & Johnson	<ul style="list-style-type: none"> Product safety Reasonable compensation linked to ESG performance 	<p>Johnson & Johnson has been the subject of a Management Breach Investigation into product safety and compliance concerns that have led to a series of recalls and extensive litigation.</p> <p>In November 2012, we met with the company to express our concerns, calling for integration of product safety and compliance performance metrics to the company's compensation plan.</p> <p>In our opinion, the executive compensation plan outlined in the 2013 proxy circular does not address the company's commitments to link compliance performance to compensation. In March 2013 we wrote to the board to express our concerns, and also to question the rationale for recombining the roles of CEO and chair of the board – a structure that did not seem to serve the company well in recent years. We met with J&J in March 2013 and explained that given ongoing concerns with the company's governance, at the AGM we would be voting against the executive compensation plan, withholding our votes for the CEO and all members of the Nominating and Corporate Governance Committee, and supporting a proposal to separate the roles of chair and CEO.</p> <p>We will write to the board to explain our rationale for voting against the compensation plan, and will continue to urge J&J to take effective action to address compliance issues and protect the company's reputation.</p>
IT & Telecommunications		
↗ Manitoba Telecom	<ul style="list-style-type: none"> Cell phone safety 	<p>This is a new addition for the 2013 Focus List. In December 2012, we wrote to the Manitoba Telecom board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM.</p> <p>In March 2013, we met with the company to discuss how it would respond to our input. We will follow up based on the disclosure in the 2013 proxy circular.</p> <p>We will meet with the company later in 2013 to discuss cellphone safety.</p>

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

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↗ TELUS	<ul style="list-style-type: none"> Reasonable compensation linked to ESG performance 	<p>Following up on our engagement the previous year, in December 2012 we wrote to the board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM.</p> <p>In April 2013, we met with TELUS to discuss the improvements it has made to the executive compensation plan, which include enhanced disclosure and the adoption of several pay good practices raised in earlier engagement. We also discussed the impact of high quantum executive pay on internal pay equity and corporate reputation, and we will provide input to the company on the efforts we are making to explore these issues with Canada's banks.</p>
Consumer Products & Retail		
→ Canadian Tire	<ul style="list-style-type: none"> Supply chain management 	<p>This is a new addition for the 2013 Focus List and engagement will be initiated shortly.</p>
↗ Coca Cola	<ul style="list-style-type: none"> Water risk management Reasonable compensation linked to ESG performance 	<p>In 2012 we engaged Coca Cola on the lack of ESG linkage in its executive compensation plan, and saw some improvement in the 2012 proxy circular. However, we voted against the compensation plan once again at the 2012 AGM. We wrote to the board in November 2012 to explain our rationale, asking for further enhancement of ESG linkage and highlighting the excessive use of stock options in the company's equity plan.</p> <p>In March 2013, we met with Coca-Cola representatives to discuss compensation issues following the release of the 2013 proxy circular. The company noted that it had put in place additional safeguards such as enhanced stock ownership guidelines as a result of engagement with investors. We discussed use of discretion and further articulated our concerns about the effectiveness of stock options as performance motivators in both bull and bear markets. We also discussed internal pay equity, and we will provide input to the company on the efforts we are making to explore these issues with Canada's banks. Coca-Cola described its efforts to harmonize bonus and benefit programs across different levels within the company.</p> <p>We will meet with the company shortly to discuss water risk management.</p>
→ Dollarama	<ul style="list-style-type: none"> Supply chain management Enhanced ESG disclosure 	<p>We engaged the company in 2012 on product safety and supply chain issues. In June 2012 the company published a first sustainability summary, with basic information on product safety, vendor compliance and energy efficiency efforts. In 2013 we will continue to urge the company to enhance ESG performance and disclosure, with a focus on supply chain issues.</p>
↗ Kraft Foods	<ul style="list-style-type: none"> Water risk management Forest risk management Palm oil 	<p>In 2012, before the reorganization that created Mondelēz and the Kraft Foods spin-off, we had contacted the former Kraft Foods seeking enhanced disclosure on how it is managing risks to forests associated with palm oil and other commodities in the supply chain. We received no response.</p> <p>Once engagement contacts were identified within the new entity, we met with Kraft Foods Group in March 2013 to discuss the spin-off company's CSR strategy, and get insight into the extent of its exposure to various risks, including palm oil, forest and water issues.</p> <p>We will encourage the company to report on ESG issues at least at the same level as before the reorganization, and to continue participating in relevant disclosure and sustainability initiatives that help investors to understand how the company is mitigating ESG risks.</p>

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

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→ Magna International	<ul style="list-style-type: none"> Water risk management Conflict minerals in the supply chain Enhanced ESG disclosure 	<p>This is a new addition for the 2013 Focus List. In November 2012, we wrote to the Magna board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM. No response has been received yet.</p> <p>In March 2013, we wrote to the company to outline our ESG disclosure interests and seek more information about the company's preparedness for conflict minerals regulations.</p>
→ Maple Leaf Foods	<ul style="list-style-type: none"> Water risk management Reasonable compensation linked to ESG performance Enhanced ESG disclosure 	<p>This is a new addition for the 2013 Focus List. In November 2012, we wrote to the Maple Leaf Foods board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM. We received a reply outlining the board's perspective, and will follow up after the 2013 AGM.</p> <p>In March 2013, we wrote to the company to outline our interest in learning more about the company's environmental management programs and waste reduction efforts.</p>
↗ Metro	<ul style="list-style-type: none"> Supply chain management 	<p>This is a new addition for the 2013 Focus List. In February 2013, we met with Metro to discuss the company's approach to sustainability. The company has made significant progress since our last meeting in 2010. It has disclosed a sustainability roadmap and published its first CSR report in 2012. Metro's priorities include enhancement of its responsible sourcing policies, including the question of palm oil in the supply chain, as well as exploring packaging optimization opportunities. As Metro's supply chain management program develops, we will be encouraging the company to disclose more on its policies and verification activities.</p> <p>We emphasized the importance of reporting annually on key ESG issues instead of every two years, to ensure investors have up-to-date and comparable information.</p>
↗ Mondelēz International	<ul style="list-style-type: none"> Water risk management Forest risk management Palm oil 	<p>In 2012, before the reorganization that created Mondelēz, we had contacted Kraft Foods seeking enhanced disclosure on how it is managing risks to forests associated with palm oil and other commodities in the supply chain. We received no response.</p> <p>Following the reorganization in October 2012, Mondelēz responded to our dialogue request. It published updated information on its palm oil usage and commitments through the Roundtable on Sustainable Palm Oil (RSPO). In November 2012 it also announced significant additional investment to address environmental and social concerns in the cocoa supply chain.</p> <p>We met with the company in December 2012 to clarify the scope of the palm oil disclosure and learn more about how sustainability issues will be handled under the new corporate structure.</p> <p>We voted against the compensation plan at the 2012 Kraft Foods AGM, and wrote to the Mondelēz board to explain our decision, encouraging the company to integrate clearly-defined ESG metrics to compensation frameworks. We will follow up after the 2013 AGM.</p>

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

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→ Quebecor	<ul style="list-style-type: none"> Forest risk management 	This is a new addition for the 2013 Focus List and engagement will be initiated shortly.
→ Tim Hortons	<ul style="list-style-type: none"> Supply chain management Water risk management Forest risk management 	<p>In 2012 we engaged Tim Hortons on disclosure and management of risks to forest biodiversity associated with commodities in the supply chain. We planned to follow up with the company in 2013 to learn more about its exposure to palm oil and soy, as well as exploring its exposure to water risk.</p> <p>This dialogue was paused when the portfolio manager sold the holding.</p>
Industrial Production & Transportation		
↗ Bombardier	<ul style="list-style-type: none"> Water risk management Conflict minerals in the supply chain 	<p>At the request of Bombardier, we participated in the company's stakeholder consultation in November 2012. We took this opportunity to highlight the importance of human rights due diligence, compliance with new conflict minerals regulations, board diversity and executive compensation.</p> <p>In November 2012 we also wrote to the board, explaining our rationale for voting against the executive compensation plan at the 2012 AGM. We encouraged the company to incorporate specific mechanisms and metrics linking compensation to ESG performance and to disclose this in the proxy circular.</p> <p>We will be meeting with the company shortly to follow up on our previous dialogue regarding the company's preparedness for conflict minerals regulations. We will also explore the company's exposure to water-related risks.</p>
→ CN Rail	<ul style="list-style-type: none"> Board diversity disclosure Aboriginal relations 	<p>CN Rail's network footprint intersects Aboriginal communities and traditional territories across North America. In recent months, the company has faced controversies with Aboriginal groups in Ontario and Quebec, making engagement on Aboriginal relations timely.</p> <p>We will meet with CN shortly to discuss the company's strategy to engage with Aboriginal groups. In future conversations with the company, we will also explore the potential for enhanced disclosure on board diversity.</p>
→ Ryanair	<ul style="list-style-type: none"> Airline sustainability Enhanced ESG disclosure 	In 2012, we engaged Ryanair to explore reputational risks associated with reported controversial statements by the company's CEO. We also encouraged the company to strengthen its disclosure of ESG issues. We will follow up on this dialogue in 2013 while also exploring the wider question of how airlines can improve sustainability performance in a high-impact sector.
→ Southwest Airlines	<ul style="list-style-type: none"> Airline sustainability 	<p>This is a new addition for the 2013 Focus List. In December 2012, we wrote to the Southwest Airlines board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM. No response has been received yet.</p> <p>In the coming months, we will follow to explore the wider question of how airlines can improve sustainability performance in a high-impact sector.</p>

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

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↗ Trans-continental	<ul style="list-style-type: none"> Water risk management Forest risk management Board diversity disclosure 	<p>Transcontinental has been responsive to engagement and has a progressive stance towards sustainability issues. We have been providing feedback on Transcontinental's sustainability reporting for several years, and the 2012 report clearly addressed suggestions from our input on the previous edition. We believe, however, there is still room for improvement.</p> <p>In April 2013, we met with Transcontinental to discuss the company's paper policy, which rates various certification standards for sustainably managed forests as equivalent. We outlined the reasons for our preference for Forest Stewardship Council (FSC) standards, including the enhanced emphasis on Aboriginal rights. We also discussed the company's efforts to monitor and mitigate water-related risks.</p> <p>We will continue to engage Transcontinental on environmental policies and practices. We will also explore the potential for enhanced disclosure on board diversity.</p>
→ United Continental	<ul style="list-style-type: none"> Airline sustainability 	<p>This was a new addition for the 2013 Focus List, but the portfolio manager sold the United Continental holding before engagement could be initiated.</p>
→ Waste Management	<ul style="list-style-type: none"> Sustainable waste management 	<p>This is a new addition for the 2013 Focus List. In December 2012, we wrote to the Waste Management board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM. No response has been received yet.</p> <p>In the coming months we will engage in dialogue to better understand the company's overall approach to sustainable waste management.</p>
Financials		
⊙ Bank of Montreal	<ul style="list-style-type: none"> Reasonable compensation linked to ESG performance 	<p>We voted against the compensation plan at the 2012 AGM and wrote to the board to explain our decision, encouraging BMO to take further steps to integrate ESG metrics to compensation frameworks, including long-term incentives.</p> <p>In the context of growing concerns about the economic and social risks of income inequality, in November 2012 we filed a shareholder proposal asking BMO to assess the value of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We have filed similar proposals at each of Canada's Big Five banks on this systemic issue.</p> <p>We met with representatives of the company in November 2012 and January 2013 and had constructive discussions on our compensation concerns and the shareholder proposal. We withdrew the shareholder proposal when the company agreed to conduct a review of the issues raised. We have provided input for the bank's research into pay quantum, internal pay equity and income inequality issues, and will follow up in the coming months.</p>

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

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⊙ Bank of Nova Scotia	<ul style="list-style-type: none"> Reasonable compensation linked to ESG performance Board diversity disclosure 	<p>We voted against the compensation plan at the 2012 AGM and wrote to the board to explain our decision, encouraging the company to take further steps to integrate ESG metrics to compensation frameworks, including long-term incentives, and to phase out use of stock options. We received a reply from the board outlining its perspective on the issues raised.</p> <p>In the context of growing concerns about the economic and social risks of income inequality, in November 2012 we filed a shareholder proposal asking BNS to evaluate the use of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We have filed similar proposals at each of Canada's Big Five banks on this systemic issue.</p> <p>We met with representatives of the company in October and November 2012 and with the chair of the compensation committee of the board in December 2012, and had constructive discussions on our compensation concerns and the shareholder proposal. We withdrew the shareholder proposal when the company agreed to conduct a review of the issues raised. We have provided input for the bank's research into pay quantum, internal pay equity and income inequality issues, and will follow up in the coming months.</p>
⊙ CIBC	<ul style="list-style-type: none"> Reasonable compensation linked to ESG performance 	<p>We voted against the compensation plan at the 2012 AGM, and wrote to the board in to explain this decision, encouraging CIBC to enhance disclosure on actual performance against ESG objectives included in the plan, and clarify the extent to which the board uses discretion in setting compensation. We received a reply and met with company representatives in September 2012 to discuss possible enhancements to the compensation framework and disclosure.</p> <p>In the context of growing concerns about the economic and social risks of income inequality, in November 2012 we filed a shareholder proposal asking CIBC to evaluate the use of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We have filed similar proposals at each of Canada's Big Five banks on this systemic issue.</p> <p>We met with the chair of the board in January 2013 and with management in February 2013, and had constructive discussions on our compensation concerns and the shareholder proposal. We withdrew the shareholder proposal when the company agreed to conduct a review of the issues raised. We have provided input for the bank's research into pay quantum, internal pay equity and income inequality issues, and will follow up in the coming months.</p>
→ Industrial Alliance	<ul style="list-style-type: none"> Enhanced ESG disclosure 	<p>In 2013, we will follow up on our previous dialogue on ESG disclosure, providing feedback on Industrial Alliance's latest reporting.</p>
↗ Intact Financial	<ul style="list-style-type: none"> Enhanced ESG disclosure 	<p>In 2013, we will follow up on our previous dialogue on ESG disclosure, providing feedback on Intact's latest reporting.</p> <p>We voted against the compensation plan at the 2012 AGM and wrote to the board to explain our decision, encouraging Intact to enhance disclosure on performance metrics within the short-term incentive plan, and to integrate ESG metrics to the long-term incentive plan. We received a reply outlining the board's perspective, and will follow up when the 2013 proxy circular is published.</p>

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

Company	Themes	Activity
⊙ Laurentian Bank	<ul style="list-style-type: none"> Reasonable compensation linked to ESG performance 	<p>Our shareholder proposal on enhancing executive compensation metrics received 46% support at the March 2012 AGM. We also voted against the compensation plan, and wrote to the board to explain why.</p> <p>We met with representatives of the company in August 2012 to provide more detail on our compensation concerns, and discuss next steps in the context of the significant support for our shareholder proposal. In November 2012 we had a further meeting with the compensation committee of the board. Based on these constructive discussions, we decided not to file a similar shareholder proposal for the 2013 AGM.</p> <p>The 2013 proxy circular disclosed a redesigned compensation plan which added a variety of financial and non-financial metrics. Through these changes the bank has responded to the concerns we raised in the shareholder proposal last year. We were able to vote for the compensation plan, and will be writing to the board to explain our decision.</p> <p>In the context of our wider engagement with Canadian banks, we provided input to the company on our exploration of pay quantum, internal pay equity and income inequality issues.</p>
→ Power Financial	<ul style="list-style-type: none"> Enhanced ESG disclosure 	<p>This is a new addition for the 2013 Focus List and engagement will begin shortly.</p>
⊙ Royal Bank of Canada	<ul style="list-style-type: none"> Reasonable compensation linked to ESG performance Board diversity disclosure 	<p>In recognition of enhancements to compensation disclosure, we voted for the compensation plan at the 2012 AGM. We wrote to the board to highlight areas for further improvement, and received a reply outlining the board's perspective.</p> <p>In the context of growing concerns about the economic and social risks of income inequality, in October 2012 we filed a shareholder proposal asking RBC to evaluate the use of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We have filed similar proposals at each of Canada's Big Five banks on this systemic issue.</p> <p>We met with representatives of the company in October and December 2012 and January 2013, and had constructive discussions on our compensation concerns and the shareholder proposal.</p> <p>We withdrew the shareholder proposal when the company agreed to conduct a review of the issues raised. We attended the company AGM in February 2013 to present to shareholders on the status of the dialogue. We have provided input for the bank's research into pay quantum, internal pay equity and income inequality issues, and will follow up in the coming months.</p> <p>The 2013 proxy circular disclosed further enhancements to the compensation plan, including improved disclosure of performance targets and the rationale for use of discretion. Through these changes the bank continues to respond to concerns we raised in the shareholder proposal filed in 2011. However, we voted against the compensation plan because of heightened attention for potentially excessive compensation levels within our proxy voting approach. We wrote to the board to explain our decision.</p>

↗ Positive Trend |
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 ⊙ On Target |
 ✖ Divestment

Company	Themes	Activity
⊙ TD Bank	<ul style="list-style-type: none"> Reasonable compensation linked to ESG performance Board diversity disclosure 	<p>We voted against the compensation plan at the 2012 AGM and wrote to the board to explain our decision, asking for further disclosure on how ESG metrics are imbedded into compensation.</p> <p>In the context of growing concerns about the economic and social risks of income inequality, in November 2012 we filed a shareholder proposal asking TD Bank to evaluate the use of horizontal comparisons with peer company executives, and vertical comparisons with other workers, in setting executive compensation. We have filed similar proposals at each of Canada's Big Five banks on this systemic issue.</p> <p>We met with representatives of the company in November 2012 and January 2013, and had constructive discussions on our compensation concerns and the shareholder proposal.</p> <p>We withdrew the shareholder proposal when the company agreed to conduct a review of the issues raised. We attended the company AGM in April 2013 to present to shareholders on the status of the dialogue. We have provided input for the bank's research into pay quantum, internal pay equity and income inequality issues, and will follow up in the coming months.</p> <p>The 2013 proxy circular demonstrated TD's continuing strength in compensation plan structure and disclosure. On this basis, we were able to vote for the compensation plan, and will be writing to the board to explain our decision.</p>

Additional Engagement Opportunities

Company	Activity
Oil & Gas	
MEG Energy	We met with MEG Energy in March 2013 to discuss the company's approach to managing GHG emissions and boosting innovation. We were encouraged by the company's focus on innovation to reduce GHG emissions, and urged the company to continue to improve disclosure and set targets for reductions.
Statoil	In December 2012 we were invited to take part in Statoil's stakeholder consultation process. We used the opportunity to encourage the company to show more leadership on issues such as managing cumulative effects, responsible climate change policy lobbying, and caribou management.
Mining, Forestry & Materials	
Hudbay Minerals	In November 2012 we met with Hudbay Minerals to discuss headline risk created by litigation relating to past incidents at a mine that the company formerly owned in Guatemala. We also discussed the company's commitment to human rights and appropriate security protocols for all its operations. We encouraged the company to maintain and enhance disclosure on its commitments and to continue engagement with stakeholders on these topics. In January 2013 we met with the company executives to discuss the company's CSR program. The company described the positive progress at its Peruvian site, and how it is working with artisanal miners. We encouraged Hudbay to support endeavours to encourage better environmental practice among artisanal miners. We also urged the company to keep stakeholders informed about legal developments relating to past issues in Guatemala.

↗ Positive Trend |
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 ⊙ On Target |
 ✖ Divestment

	Teck Resources	In February 2013 we participated in Teck's stakeholder panel to provide input on the company's CSR reporting priorities for next year. The company was receptive to our comments on disclosing more information about mine closure and considering stakeholder perspectives when determining CSR project objectives.
Healthcare & Pharmaceuticals		
	Pfizer	In November 2012, we wrote to the Pfizer board to explain our reasons for voting against the company's executive compensation plan at the 2012 AGM. In December 2012, we met with company representatives responsible for compensation and corporate governance issues to express our concerns, calling for integration of product safety and compliance performance metrics to the company's compensation plan. In March 2013 we wrote to Pfizer's board to express our concerns and question the rationale for recombining the roles of CEO and chair of the board. No response has been received yet.
IT & Telecom		
	EMC Corporation	In November 2012 we wrote to the EMC Corporation board, explaining our rationale for voting against the executive compensation plan at the 2012 AGM. EMC met with us in January 2013. The company has a progressive approach to sustainability issues, but this is not reflected in the compensation plan. We encouraged the company to create clearer linkages between executive compensation and achievement of key ESG objectives.
Consumer Products & Retail		
	Gildan	In February 2013 we met with Gildan for an update on a range of corporate responsibility initiatives. The company has disclosed targets for reduction of greenhouse gas emissions and water use intensity, and for diversion of waste from landfill. It continues to roll out certification of environmental management systems to the ISO 14001 standard across its facilities.
Financials		
	National Bank of Canada	In August 2012, we wrote to the National Bank of Canada board to explain our reasons for voting for the company's executive compensation plan at the 2012 AGM, and areas for further enhancement of compensation disclosure. We received a reply from the board, and in February 2013, we met with company representatives responsible for compensation and corporate governance issues. We discussed our perspectives on inclusion of ESG metrics in compensation frameworks and on approaches to setting compensation quantum. In the context of our wider engagement with Canadian banks, we provided input to the company on our exploration of pay quantum, internal pay equity and income inequality issues.