RESPONSIBLE INVESTMENT POLICY

Purpose of this policy
NEI Investments is committed to helping our clients grow wealth while advancing the Environmental, Social and Governance (ESG) performance of publicly-traded companies wherever we invest. Our Responsible Investment Policy [the RI Policy] sets out the philosophy that guides our efforts and describes our Responsible Investing Program – the strategies, procedures and lines of accountability ensuring we keep our promises and advance towards our goals.

Definitions

Responsible Investing
For NEI, responsible investing incorporates ESG analysis of company performance into the investment decision-making process. Responsible investing seeks to generate sustainable value for investors, shareholders, for other company stakeholders and for society as a whole.

Sustainable Value Creation
Sustainable Value Creation describes strategies and programs designed to help companies, investors and the economy prosper over the long term while contributing to human rights, social equity and a clean environment. The concept emerges from the term sustainable development: a state of society where resource use meets human needs today without undermining the ability of future generations to meet their needs.

ESG Issues
The term ESG describes the broad categories of issues taken into consideration by companies and investors seeking to create sustainable value.

ESG Risk
ESG risk, narrowly defined, is understood by many investors to mean environmental, social and governance factors that present a risk to the value of an investment.

Stakeholders
The stakeholder constituency will vary by company and may include employees, customers, suppliers, communities, regulators, creditors, financiers and investors.

Stakeholder theory of the firm
The stakeholder theory of the firm holds that the purpose of the public company is to create value for all its stakeholders. Different stakeholders will determine value in different ways.

Impact Investing
Impact investing refers to investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

Fossil Fuel Free Investing
The investment landscape has seen an increasing number of products that are described as Fossil Fuel Free ("FFF"). The general working definition for most FFF investment products, including products offered by Aviso Wealth companies, typically excludes, at a given threshold, the following types of companies: oil, gas and coal producers, pipeline companies, natural gas distribution utilities, liquefied natural gas operations, companies with significant carbon reserves on their balance sheets, and service companies whose primary business is supporting the fossil fuel industry.

This is a basic definition designed to serve the needs of investors seeking to make a clear statement around the fossil fuel industry. While NEI fully recognizes that need for investors to make a positive impact with their money, there are other approaches, aligned with our responsible investment philosophy outlined in this policy, that we believe can more effectively address the issue of climate change driven by carbon emissions.

A long-held thesis of the NEI approach to responsible investing is that ownership and engagement is a powerful and critical driver of change within companies. That is why
we believe the goals of decarbonization – which we share with supporters of FFF – can be met through investing in, and engaging with, fossil fuel orientated companies to help them develop clear and measurable strategies and activities that will help transition their businesses to be viable contributors to a low carbon economy. We believe these companies, which would be excluded under the above definition of FFF, have an essential role to play in solving the challenges associated with emissions-driven climate change.

We equally believe in the importance of investing in companies whose businesses are focused on providing solutions to the core challenge of the energy transition; that is, how to create a net-zero Greenhouse Gas (GHG) emissions economy. It is important that any mandate focused on mitigating the systemic risks of climate change be invested in the companies whose products and services are positively influencing climate change.

NEI’s Responsible Investment Thesis

NEI’s approach to investing incorporates the thesis that companies can mitigate risk and take advantage of emerging business opportunities by integrating best ESG practices into their strategies and operations.

Approaches

In Canada, NEI has led the development of multiple and complementary approaches that support our Responsible Investment Thesis. These approaches include exclusionary screening, ESG evaluations, corporate dialogue, ESG-focused proxy voting, public policy engagement, impact investing and sustainability-themed investing.

Application

While the RI Policy applies across the entire lineup of NEI Funds, responsible investment approaches will vary by fund. In all cases NEI will make clear to investors and advisors the specific nature of these variations.

Statement on climate risk

We believe that climate change is one of the biggest systemic challenges facing our society. Mitigating climate change risk should be an imperative for all Canadian investors regardless of which sectors of the economy they invest in. As investors, we bear a responsibility to actively address climate change through all the tools we have at hand. We will strive to respond strategically and with a focus on creating positive outcomes.

As such, we commit to:

- Publicly support the Task Force on Climate-Related Financial Disclosure (TCFD) and report transparently on our efforts to measure and address climate-related risks.
- Assess company performance on climate change issues prior to inclusion into RS and select other portfolios and exclude from those portfolios companies that do not meet our minimum expectations. In particular, companies whose lobbying activities are explicitly impeding the development of climate policy will be excluded.
- Encourage companies in our portfolios to develop strategies and business models that are resilient in a low-carbon future through engagement and proxy voting.
- Encourage companies in our portfolios to align their public reporting with the TCFD framework.
- Engage policy makers and standards setters to support and foster progressive climate-related regulations, policies and standards, including regulations that put a price on carbon.
- Identify and exploit investment opportunities in low-carbon, transition-aligned technologies and companies.

Statement on human rights

NEI supports the principles contained within the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the eight fundamental International Labour Organization (ILO) conventions. Our commitment to these principles means we will strive to have the processes in place to assess companies for any negative human rights impacts prior to making our investment decision. We will also monitor our
fund holdings to identify any companies that are causing or contributing to human rights impacts and prioritize actions to address them. We will strive to use our influence, either alone or through collaboration with peers and other stakeholders, to engage the companies in our funds to mitigate, prevent or provide remedy for negative human rights impacts caused by their activities.

**Automatic Exclusions**

For all funds designated “RS” (Responsible Screens), as well as select other funds, NEI automatically excludes companies with specific types of involvement in select industries. The list of designated industries and parameters for exclusions is as follows:

- **Tobacco**: Designated NEI funds exclude tobacco companies and companies that derive a material portion of their revenue from tobacco-related products such as filters, rolling papers or packaging, or from the sale of tobacco or tobacco-related products.

- **Weapons**: All NEI Funds exclude companies that derive revenue from military contracts that violate International Humanitarian Law (IHL). In addition, funds designated RS and select other funds exclude companies that derive revenue from nuclear weapons contracts and companies that derive a material portion of their revenue from the manufacture of legal weapons systems and/or tailor-made components for these weapons systems.

Furthermore, NEI recognizes the importance of owning guns for hunting and sustenance purposes, and we support access for civilians and in particular people in indigenous communities to weapons of this nature for these purposes. However, NEI does not support civilian access to automatic or semi-automatic weapons. As a result, funds designated RS and select other funds exclude companies whose activities are connected with the manufacturing of automatic or semi-automatic weapons intended for civilian use, and companies that derive a material portion of their revenue from the sale or distribution of such weapons.

- **Nuclear power**: Designated NEI funds exclude all companies that derive a material portion of their revenue from nuclear power, uranium mining or the supply of products or services to nuclear facilities. As the energy sector evolves towards low carbon sources, NEI may also consider company fuel mix trends, the commitment towards renewables and the development of innovative, low impact nuclear fission and fusion technologies in the application of this screen. We do not exclude companies for buying electricity generated by nuclear power, or for involvement in decommissioning nuclear sites or nuclear medicine.

- **Gambling**: Designated NEI funds exclude companies that derive a material portion of their revenue from the ownership or operation of gambling establishments, and from the manufacture of equipment used exclusively for gambling.

- **Pornography**: Designated NEI funds exclude companies that derive a material portion of their revenue from the production of pornography and the distribution of pornography or the ownership of adult entertainment establishments.

**ESG Evaluation Process**

NEI conducts proprietary ESG evaluations of investment prospects. The aim is to ensure that companies held in funds designated “RS” (Responsible Screens), as well as select other funds, have taken or are taking meaningful steps to manage the ESG risks they face. Companies that fail to address their ESG risks may be designated ineligible for inclusion in these funds.

In undertaking our ESG evaluations, we strive to work closely with our portfolio managers to advance integration of ESG considerations with their respective investment processes. ESG evaluations are based primarily on in-house research and analysis of information disclosed by corporate issuers, which is supported by information provided by ESG research firms and news tracking services.

**ESG Evaluation Methodology**

Our ESG Evaluation Methodology is as follows:

1. **Identification of sector-specific material ESG risks.** Some sectors are inherently riskier than others and material ESG risks vary from sector to sector. NEI’s in-house ESG team analyzes these risks and produces Material Risk Assessments specific to each sector.

2. **Establishment of baseline expectations.** Baseline expectations are measures that companies in the sector must fulfill to satisfy us that they are managing material ESG risks appropriately. As noted above, for designated funds, companies must satisfy baseline expectations to be eligible for investment.
3. **Broad based benchmarking.** We also conduct, through the establishment of key performance indicators (KPIs) relative to specific ESG risks, sector-specific and broad-based benchmarking to assess each company’s ESG performance relative to its peers as ‘leaders’, ‘laggards’ or ‘in the pack’. These categorizations do not in and of themselves determine eligibility for investment. Rather they are useful for determining potential corporate engagement opportunities: an engagement with a ‘leader’ can help raise the bar for the entire sector; an engagement with an ‘in the pack’ company can improve specific ESG deficiencies that are hindering sector leadership; and engagements with ‘laggards’ that are key players in the sector can set higher standards for other companies in the sector to follow.

4. **Headline risk assessment.** Finally, we conduct headline risk scanning to identify unethical or illegal business practices or involvement in controversial situations.

**Ongoing monitoring of ESG risks**

Once a company meets our baseline expectations and is purchased for the funds, it is monitored for headline risks, management breaches, and other ESG-related risks. As part of this process, the NEI ESG Services Team identifies, evaluates and monitors stories published in credible media sources that portray a company in a negative manner. In cases where an incident identified falls outside the range of issues normally captured by a company evaluation and is not being addressed by our Corporate Engagement Program (see below), a management breach investigation may be conducted. We define a management breach as a significant transgression of management ethics or a situation indicating a corporate culture that is inconsistent with our responsible investment thesis. While a headline risk report records and assesses controversial or negative media coverage about a company, the management breach process examines the fundamentals of an incident to determine if a company has violated our baseline expectations. A management breach determination results in one of three potential outcomes: enhanced monitoring, engagement, or divestment.

**Corporate Engagement Program**

NEI believes it is more effective to advance ESG practices through corporate engagement than through exclusion and divestment. Across all funds, we use the special rights that come with shareholder status to expand our investable universe and create positive change on behalf of our investors. Through engagement, we alert companies to ESG risks, propose solutions to the tough challenges they face and encourage them to improve their ESG performance. Corporate engagement helps companies improve their reputations and limit exposure to risk — thus improving overall value for shareholders — and keeps companies accountable to all their stakeholders, including the communities in which they operate.

**Main Components of NEI’s Corporate Engagement Program**

Our Corporate Engagement Program has three components:

1. **Focus List Dialogues**

   The centrepiece of our Corporate Engagement Program is the Focus List – an annual program of targeted, in-depth dialogues on specific ESG issues and themes set out at the beginning of each year.

   **Annual Focus List reports can be found on the NEI website.**

   Focus List dialogues are comprised of two types:

   - **Strategic dialogues** with sector leaders capable of breakthroughs in corporate sustainability practice and disclosure, and with sector laggards that need to catch up
   - **Tactical dialogues** at specific companies in response to emerging risks and opportunities

   The companies selected for engagement are chosen based on a review of:

   - **Investment exposure:** The scale of the holdings within our funds
   - **Risk and opportunity exposure:** The significance of the ESG issues identified
   - **Impact potential:** Where our intervention is most likely to result in change

   The Focus List is published at the start of the year and updates on our progress with each company are published quarterly, respecting business confidentiality where necessary. NEI also reports quarterly on our accomplishments on corporate engagement and other program areas.

   **Quarterly reports can be found on the NEI website.**
2. **Shareholder proposal**

When dialogue efforts are not advancing, NEI may seek the views of other shareholders on the ESG issue facing the company. This is done by filing a shareholder proposal that is included in the management proxy circular and submitted to a vote at the company’s Annual General Meeting (AGM).

Shareholder proposals can be a powerful tool for raising the awareness of ESG issues among directors, senior executives and other shareholders. The time between filing the proposal and the company finalizing the management proxy circular for publication is often fruitful for dialogue, because companies often wish to see the proposal removed from the AGM agenda. This often prompts companies to allocate more resources to ESG concerns. As a result of this, shareholder proposals do not always go to a vote. In general, NEI will withdraw a shareholder proposal in the following situations:

- The company agrees to substantially adopt the proposal without a vote.
- The company agrees to partially adopt our proposal and commit to a series of meetings between our ESG Services Team and key operational personnel, company decision-makers, and appropriate stakeholders to explore the issue further.
- The company provides us with evidence demonstrating the proposal is “moot” because it is already dealing with the issue.

If the proposal goes ahead, a Proxy Alert is issued challenging the company’s response and offering additional reasons for investors to support it.

More details about our Shareholder Proposals can be found on our website.

3. **Proxy Voting**

It is the responsibility of all investors to vote annually on a company’s Board of Directors, ratification of auditors and other business matters at that company’s AGM. NEI takes this responsibility seriously and every vote associated with our investments is overseen by in-house proxy voting analysts on the ESG Services Team. Shareholders are also entitled to vote on key issues at the company’s AGM. Issues can include both management proposals and shareholder proposals, which appear in the company’s management proxy circular.

Our voting is guided by NEI’s Proxy Voting Guidelines. Our proxy voting activity reports detail how proxies were voted for each company in our portfolios. NEI also endeavours to provide constructive feedback to companies on our voting rationales.

More details about our Proxy Voting Guidelines can be found on the NEI website.

**Public policy**

Public policies and standards affect the rules by which all companies must operate. Our efforts in this area enable us to promote change on a broader scale, beyond individual companies, to remove barriers to sustainability disclosure and performance on an industry-wide basis. Changing the public policy and standards landscape can improve corporate performance across an array of ESG areas, as well as facilitating responsible investment.

NEI believes that all companies should disclose lobbying and public policy positions if and when taken.

Policy Submissions can be found on the NEI website.

**Partnering with Asset Managers**

To bolster its Responsible Investment Program, NEI partners with the global network of asset managers who sub-advice our funds. With those managers that have ongoing engagement expertise and programs of their own, NEI confers on strategy, sharing information and in some cases meeting jointly with companies to enhance the effectiveness of our engagement activities. While mitigating and eliminating ESG risks continue to be the focus of much of our activity, NEI also partners with sustainability-focused asset managers capable of identifying investment opportunities related to companies directly involved in providing business solutions to many environmental and social challenges.

**Impact Investing**

Consistent with NEI’s criteria for responsible investing, certain NEI funds may also employ strategies intended to provide positive environmental or social impacts in addition to investment returns.
**Internal Controls and Oversight**

**NEI ESG Services Team**

NEI’s ESG Services Team is responsible for the strategy, management and implementation of NEI’s responsible investment program. The team conducts ESG evaluations of companies held in NEI funds, engages companies and policy makers in proactive dialogue for change, and directs NEI’s thought leadership on responsible investment matters.

**Internal Reporting**

The Vice President of ESG Services reports to the SVP, Head of Asset Management of Aviso Wealth, of which NEI Investments is a subsidiary. The Vice President of ESG Services also sits on NEI’s Investment Management Committee.

**Responsible Investment Executive Committee**

NEI’s responsible investment program is overseen by NEI’s Responsible Investment (RI) Executive Committee. The Committee consists of select members of the senior leadership team of the Asset Management and Credit Union Wealth businesses of Aviso Wealth, and is chaired by Vice President of ESG Services.

The mandate of the RI Executive Committee is to:

- Ensure NEI’s RI Program remains industry leading and aligned with the strategic goal of Aviso Asset Management to reinvigorate, solidify and grow the NEI brand around our responsible investment leadership and differentiation
- Monitor NEI’s approach to RI and, in particular, review reports, briefs and other documents relating to the manager’s implementation of this approach, along with any other matters brought forth to this Committee for review and/or approval.
- Specifically:
  - Review and approve the NEI RI Policy
  - Review and approve the structure of the RI Program designed to implement the RI Policy
  - Annually review NEI’s submission in adherence to the United Nations endorsed Principles of Responsible Investment (UNPRI)

**NEI Investment Committee**

The NEI Investment Committee reviews and approves all investment-related initiatives undertaken by the organization. This includes oversight of the Responsible Investment (RI) Program of NEI, approval of any amendments to the NEI RI Policy, and the review and approval of NEI’s annual report submission required for membership in the UN Principles for Responsible Investment (PRI).

The Committee is chaired by the SVP, Head of Asset Management of Aviso Wealth and includes the CEO of Aviso Wealth, the Chief Investment Officer of Aviso Wealth, members of the Aviso Wealth Executive Team and members of the Aviso Wealth Board.

**Reporting**

NEI is committed to transparency as a key mechanism for allowing our investors, advisors and other stakeholders to hold us accountable for our actions. Our annual Focus List, Quarterly Active Ownership Reports, Proxy Voting Guidelines, voting record, shareholder proposals, policy submissions and thought leadership are all published on the NEI website.

**Review**

This policy is reviewed on an annual basis and revised as necessary, and subject to governance outlined above.
Appendix: Affiliations

NEI Investments is an active member in several organizations created to help advance the field of responsible investment and specific ESG topics of concern. Among these are:

**Canadian Coalition for Good Governance**

Representing the interests of institutional investors, CCGG promotes good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders, and to promote the efficiency and effectiveness of the Canadian capital markets. [https://ccgg.ca/](https://ccgg.ca/)

**Circular Economy Leadership Coalition (CELC)**

The CELC provides thought leadership, technical expertise and a collaborative platform for the development of pioneering solutions that eliminate waste at all stages of the life cycle of products and accelerate the transition to a Circular Economy. [http://www.circulareconomyleaders.ca](http://www.circulareconomyleaders.ca)

**Coalition for Environmentally Responsible Economies (Ceres)**

Ceres is a US-based non-profit coalition of investors, companies and public interest groups seeking to accelerate and expand the adoption of sustainable business practices and solutions in order to build a healthy global economy.

**International Corporate Governance Network**

Established in 1995 as an investor-led organisation, ICGN’s mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide. [https://www.icgn.org/](https://www.icgn.org/)

**Investor Network on Climate Risk**

INCR is a network of more than 120 institutional investors representing more than $15 trillion in assets committed to addressing climate change and other key sustainability risks, while building low-carbon investment opportunities. [https://www.ceres.org/networks/keres-investor-network](https://www.ceres.org/networks/keres-investor-network)

Principles for Responsible Investment

The PRI works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole. [https://www.unpri.org/](https://www.unpri.org/)

Responsible Investment Association

The RIA is Canada’s membership association for RI. Members include mutual fund companies, financial institutions, asset management firms, advisors, consultants, investment research firms, asset owners, individual investors and others interested in RI. [https://riacanada.ca/](https://riacanada.ca/)
Sources
Internationally agreed conventions, guidelines and principles provide the standards and help identify the key priorities for NEI’s Responsible Investment Program. The key documents include:

CCGG Stewardship Principles
CCGG’s stewardship principles are intended to help institutions investing in Canadian public equities be active and effective stewards of their investments. For CCGG, stewardship means fulfilling investor responsibilities to clients and enhancing long-term value creation so companies and their investors can prosper and, in the process, benefit the market and society as a whole.

Global Reporting Initiative
Founded in 1997, the Global Reporting Initiative (GRI) is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption. https://www.globalreporting.org/

ICGN Global Governance Principles
The International Corporate Governance Network (ICGN) Global Governance Principles describe the responsibilities of boards of directors and investors respectively, and aim to enhance dialogue between the two parties. They embody ICGN’s mission to inspire effective standards of governance and to advance efficient markets world-wide. https://www.icgn.org/policy

ICGN Global Stewardship Principles
The ICGN defines investor stewardship as the preservation and enhancement of long term value as part of a responsible investment approach. This includes the consideration of wider ethical, environmental and social factors as core components of fiduciary duty. The ICGN Global Stewardship Principles set out the ICGN’s view of best practices in relation to investor stewardship obligation, policies and processes. https://www.icgn.org/policy

OECD Guidelines for Multinational Enterprises
The OECD is working with public companies and investment institutions to define more precisely ESG risk due diligence https://www.oecd.org/investment/toolkit/policyareas/responsiblebusinessconduct/

Sustainability Accounting Standards Board
The Sustainability Accounting Standards Board (SASB) sets industry-specific standards for corporate sustainability disclosure, with a view towards ensuring that disclosure is material, comparable, and decision-useful for investors. https://www.sasb.org/

Sustainable Development Goals
Officially known as the 2030 Agenda for Sustainable Development, the SDGs is a set of 17 goals to advance sustainable development. The SDGs were developed by the United Nations involving its 194 member states as well as global civil society organizations. The SDGs were adopted by the UN in September 2015. https://sustainabledevelopment.un.org/

United Nations Global Compact
The aim of the United Nations Global Compact is to mobilize a global movement of sustainable companies and stakeholders. The UN Global Compact supports companies to align their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption. The Global Compact is also supporting companies to advance the UN Sustainable Development Goals. https://www.unglobalcompact.org/
Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus and/or Fund Facts before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

NEI Investments is a registered trademark owned by Northwest & Ethical Investments L.P. Northwest & Ethical Investments Inc., is a wholly-owned subsidiary of Aviso Wealth Inc. ("Aviso"). Aviso is a wholly-owned subsidiary of Aviso Wealth Limited Partnership ("Aviso Wealth LP"), which in turn is owned 50% by Desjardins Financial Holdings Inc. ("Desjardins") and 50% by a limited partnership owned by the five Provincial Credit Union Centrals (the "Centrals") and the CUMIS Group Limited.

Views expressed regarding a particular security, industry or market sector should not be considered an indication of trading intent of any funds managed by NEI Investments. This material is for informational and educational purposes and is not intended to provide specific advice including, without limitation, investment, financial, tax or similar matters. Please consult with your own professional advisor on your particular circumstances. The views expressed herein are subject to change without notice as markets change over time. NEI Investments endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information that is accurate and complete. However, NEI Investments makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein.

NEI0088E  10/20