

Sustainable Investing

Quarterly Highlights

Q1 2019



UPDATES



Left picture, from left to right: Karin Finkelston, International Finance Corporation; Phil Cull, NatureBank Asset Management Inc.; Brian Minns, Addenda Capital; Emily Chew, Manulife Asset Management; and Amal-Lee Amin, Inter-American Development Bank. **Top right, same order:** Marie-Josée Privyk, Millani; Olivier Gamache, Groupe Investissement Responsable Inc.; Pierre-Laurent Macridis, Fondation; and Karolina Kosciolk, Addenda Capital. **Bottom right:** Angela Homewood, Environmentally Sustainable Projects ALW Inc.; Samantha Cameron, Addenda Capital; and Edith Callaghan, Acadia University.

In January, **Karolina Kosciolk**, Analyst, Sustainable Investing, participated in a panel discussion on the various approaches to responsible investing at the Desautels Business Conference on Sustainability at McGill University in Montréal.

Brian Minns, Vice President, Sustainable Investing, spoke at the 2019 Globe Capital Conference in February. In a panel, he discussed how capital can be directed to limit global warming to below two degrees.

At the Queen's University Commerce and Engineering Environmental Conference in March, **Samantha Cameron**, Junior Analyst, Sustainable Investing participated in a panel discussion on how industries are transitioning to more sustainable business practices.

FIRM-WIDE INITIATIVES

PROMOTING SUSTAINABLE FINANCIAL MARKETS – RAISING STANDARDS

Canada's Expert Panel on Sustainable Finance

Addenda Capital and The Co-operators submitted a joint response to the [Interim Report](#) of Canada's Expert Panel on Sustainable Finance. The Panel was commissioned by the Ministers of Environment and Climate Change (ECCC) and Finance to consult with the Canadian financial sector to raise awareness about climate-related risks and advance climate-related financial disclosures.

In the letter, Addenda and The Co-operators reiterated their support of the Expert Panel and highlighted the urgency of the situation as well as the important role of the financial sector in transitioning to a climate-resilient, low-carbon society. They also provided suggestions and feedback on various topics raised by the Panel. For example, Canadian stock exchanges could incorporate the Sustainable Stock Exchange Initiative's *Model Guidance on Reporting ESG Information* in their listing requirements. Our recommendations also touched upon accelerating the adoption of TCFD disclosure, clear interpretation of fiduciary duty, energy efficiency and resiliency retrofits, and sustainable asset management.

Finally, the letter stated that all Canadians need to hear more about how the transition to a climate-resilient, low-carbon society can help us increase our prosperity and maintain our high quality of life. The Expert Panel is due to make its final recommendations to the Canadian Government in the coming months.

Voting for Board Gender Diversity

On International Women's Day, [Addenda Capital and NEI Investments invited other investors to join them in committing to vote for gender diversity on Canadian boards](#). Drafted by the Engagement Workstream of the Toronto Responsible Investing Working Group in which Addenda participates, the statement is a public signal to Canadian companies that investors are committed to encourage improved gender diversity on publicly listed corporate boards through proxy voting.

The statement reads: "The commitments each of our institutions have made to advancing Canadian board gender diversity at a minimum include:

- Using our voting rights to withhold votes from relevant director candidates at Canadian boards that lack gender diversity.
- Making known to Canadian companies where absence of diversity may impact or has impacted director voting decisions."

The statement is currently open to investor signatories until April 30th. For more information or should your organization wish to sign the statement, please contact Brian Minns, Vice President, Sustainable Investing, Addenda Capital, at b.minns@addendacapital.com.

PRODUCT-SPECIFIC INITIATIVES

Corporate Bonds ■ International Equities ■ Canadian Equities ■ US Equities ■
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ESG INTEGRATION – BETTER INVESTMENT DECISIONS

Company	Country	Issues	Strategies	Outcome
Diversified industrial company	U.S.	<ul style="list-style-type: none"> Environmental compliance costs Data security Human capital 	■ ✗	Since the Company has limited disclosure on sustainability topics overall, Addenda could not adequately assess how well the company is managing the risks it is exposed to.
Company specializing in prepaid corporate services	France	<ul style="list-style-type: none"> Governance (i.e. board director attendance issues, combined Chair and CEO role, and no improvements to Chair and CEO compensation policies despite shareholder disapproval in the past) Data security Workforce diversity and engagement Professional integrity 	■ ✗	The Company acknowledges all three issues as important to their business and has set some targets around improving practices. However, the Company does not provide much disclosure on how they are managing these risks.
Several consumer staples companies	Various	<ul style="list-style-type: none"> Food safety Ingredient sourcing (e.g. exposure to water stress and land-use restrictions) 	■ ■ ✓	Addenda is pleased to see that some of the portfolio companies are setting targets regarding sustainable ingredient sourcing and reducing carbon emissions from operations.
Transportation and midstream oil and gas company	Canada	<ul style="list-style-type: none"> Greenhouse gas emissions Ecological impacts Operational safety Emergency preparedness and response 	■ ■ ✓	The Company has acknowledged each of these ESG issues as important and has outlined how they are managing the risks.
Major North American energy company	Canada	<ul style="list-style-type: none"> Carbon emissions Biodiversity and land use Health and safety 	■ ■ ✓	Addenda identified top ESG issues for the Company.
Two leading providers of software	Canada	<ul style="list-style-type: none"> Governance Data security Intellectual property protection and competitive behaviour Recruiting and managing a global, diverse and skilled workforce Managing systemic risks from technology disruptions 	■ ✓	The Companies acknowledges all the issues in their annual report. However, they do not provide much disclosure on how they are managing these risks.
Potential investment in hydroelectric facilities	Canada	<ul style="list-style-type: none"> Impact of climate change on electricity generation 	■ ✓	Climate change is not likely to have a materially negative financial impact on the project.

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STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS

Addenda Capital's 3-Year Climate Change Stewardship Plan ■ ■ ■ ✓

Addenda kicked off its 3-year climate change stewardship plan at the end of 2018. The plan consists of meeting with companies to better understand their governance and risk-management regarding climate-related risks. Addenda also considers their climate-related disclosure using the TCFD recommendations and public policy positions.

In the first quarter of 2019, the SI team and portfolio managers had meetings or phone calls with multiple financial institutions. Meeting with them allowed us to compare the different strategies and practices regarding governance and management of climate-related issues.

Addenda Capital's 3-Year Board Diversity Stewardship Plan ■ ■ ■ ■ ✓

In 2018, the SI team in collaboration with Portfolio Managers at Addenda wrote letters to the nominating committee chairs of 23 companies asking about board diversity policies and targets. Companies have started to respond, and the results are encouraging. For example, some companies adopted a diversity policy with a target for female board representation and made their policy available to the public. Addenda welcomes the responses from these portfolio companies and looks forward to further engagement on this topic.

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