



SUSTAINABLE INVESTING

Annual Stewardship Summary

July 2017 - June 2018

Enhancing Investments' Long-Term Value Through Voting and Engagement

Addenda Capital is committed to active investment management and so effectively monitors investee entities, including their ESG (environmental, social, governance) practices. This oversight allows us to actively protect and enhance the long-term interests of shareholders and other stakeholders through stewardship activities that fall under two categories: proxy voting and corporate engagement. Please consult our [Proxy Voting Policy](#) and our [Stewardship Policy](#) for further details.

Voting

A Key Component of Sustainable Stewardship

The right to vote at annual and special meetings is one of a shareholder's most important rights. By voting at shareholder meetings, Addenda Capital aims to affect governance, communicate preferences and signal confidence or lack of confidence in a company's management and oversight. Companies that have good corporate governance are likely to sustainably generate more long-term value for their shareholders and other stakeholders.

The majority of annual meetings take place during the first half of the calendar year. For example, between July 1, 2017 and June 30, 2018, Addenda Capital voted at 218 meetings and of these over 90% took place between January and June.

218

meetings



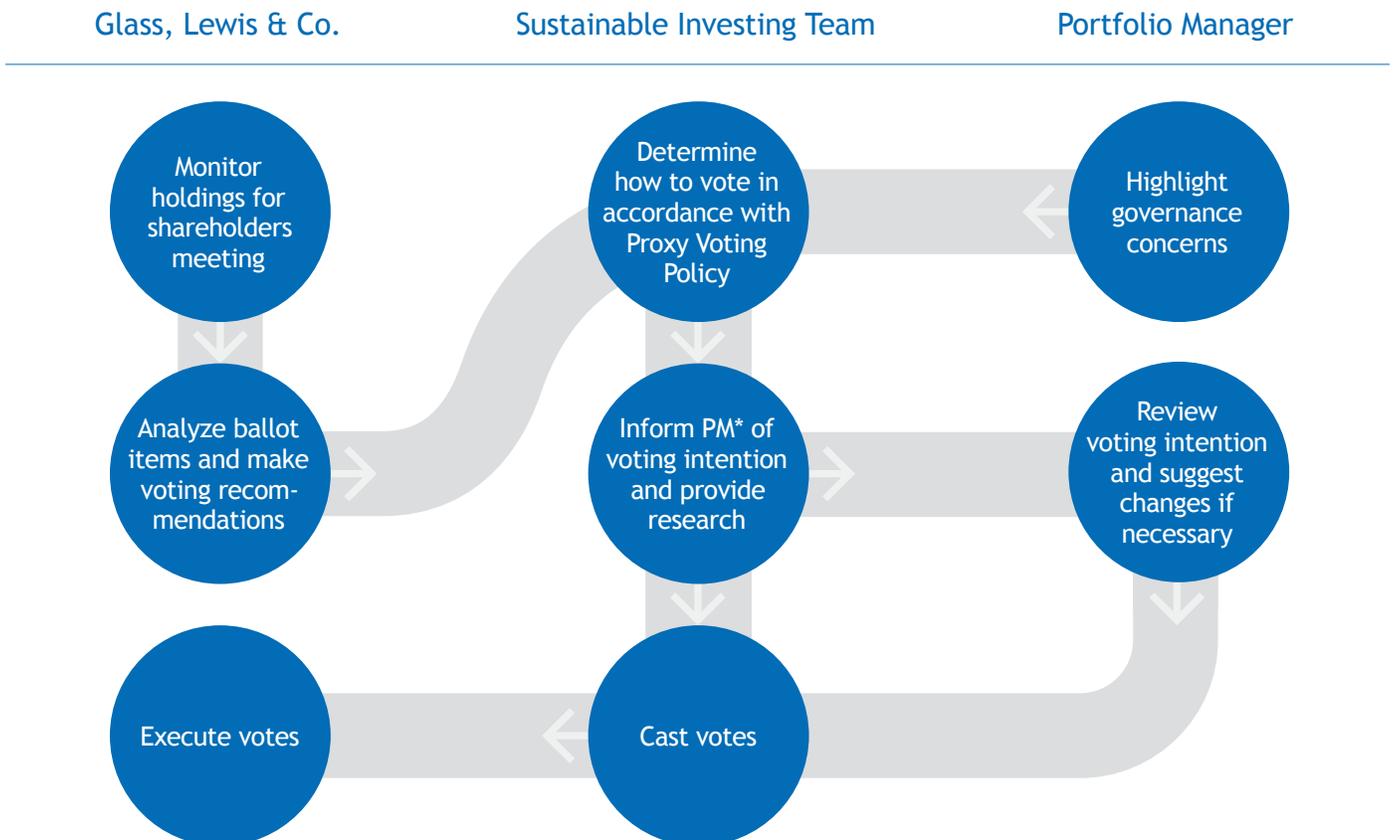
Proxy Voting: Our Process

Addenda usually votes “by proxy” by instructing someone to vote our clients’ shares in accordance with our instructions which are based on our Proxy Voting Guidelines. We will, if necessary, attend a meeting to vote in person.

All year long, we monitor the environmental, social and governance (“ESG”) practices of the entities in which we invest. During voting season, we also enlist the help of Glass, Lewis & Co., an independent investment research firm that provides global proxy advisory and voting services.

We consider each ballot item and determine how to vote in a manner consistent with the guidelines outlined in Exhibit 1 (see below). In addition, we engage the entities in which we invest and policy makers in a dialogue when warranted.

EXHIBIT 1 Addenda Capital’s Proxy Voting Process



* Portfolio Manager
Source: Addenda Capital

Highlights From the 2018 Voting Season

During the 12 months ending June 30, 2018, Addenda Capital voted at 218 meetings. 77% of those meetings were held in North America, including 45% in Canada (see details in Exhibit 2 below).



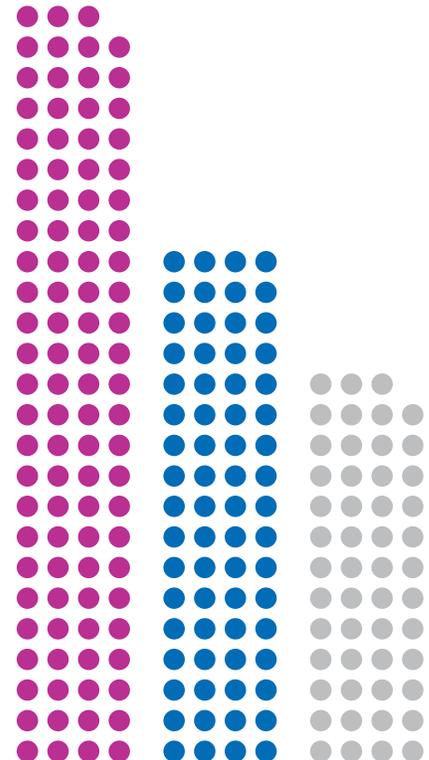
In total, we were presented with 2,923 proposals. On about 17% of all ballot items, we voted against management or board recommendations (see Exhibit 3). Voting against management recommendations is not in itself an effective measure of our voting process. But it does highlight our willingness to vote in the best interest of our clients and our ability to effectively and critically analyze each ballot item.

EXHIBIT 2 Proxy Voting at Annual and Special Meetings

Number of Meetings

- 99 Canada
 - 68 United States
 - 51 Outside North America
-
- 218 Total

2,923 proposals



Source: Addenda Capital

EXHIBIT 3 Votes Against Management Recommendations

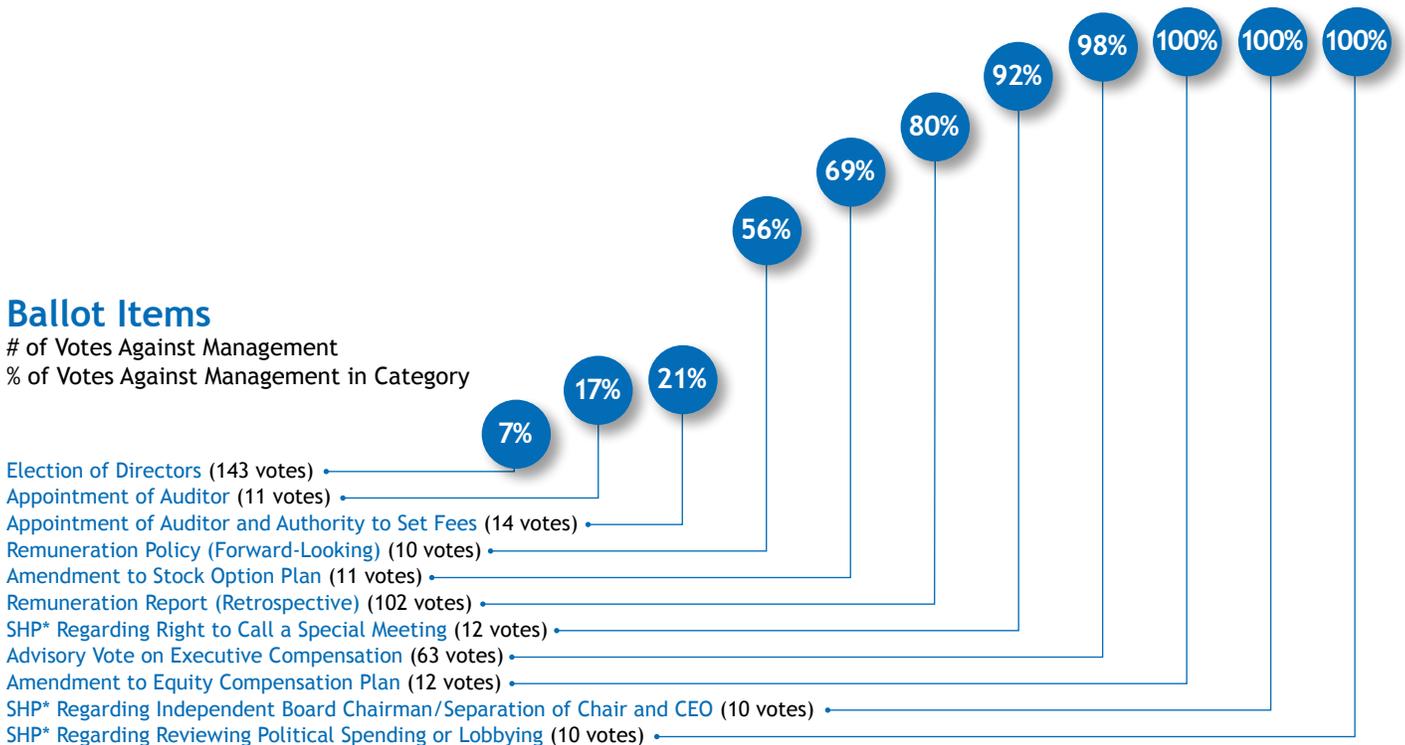
17% Against Management



Source: Addenda Capital

Most often, when we voted against management recommendations, the proposal was about the election of directors (see Exhibit 4). For this type of ballot item, we cast 143 votes against management recommendations, which corresponds to 7% of a total of 1,979 nominees that we voted on. We opposed the nominees for various reasons including a lack of independence on a board, a nominee’s apparent lack of effective oversight on another board or the appearance of too many commitments to fulfill their duties as a director.

EXHIBIT 4 Top 10 Ballot Items for Which Addenda Voted Against Management Recommendations



* SHP: Shareholder Proposal
Source: Addenda Capital

Vote Examples

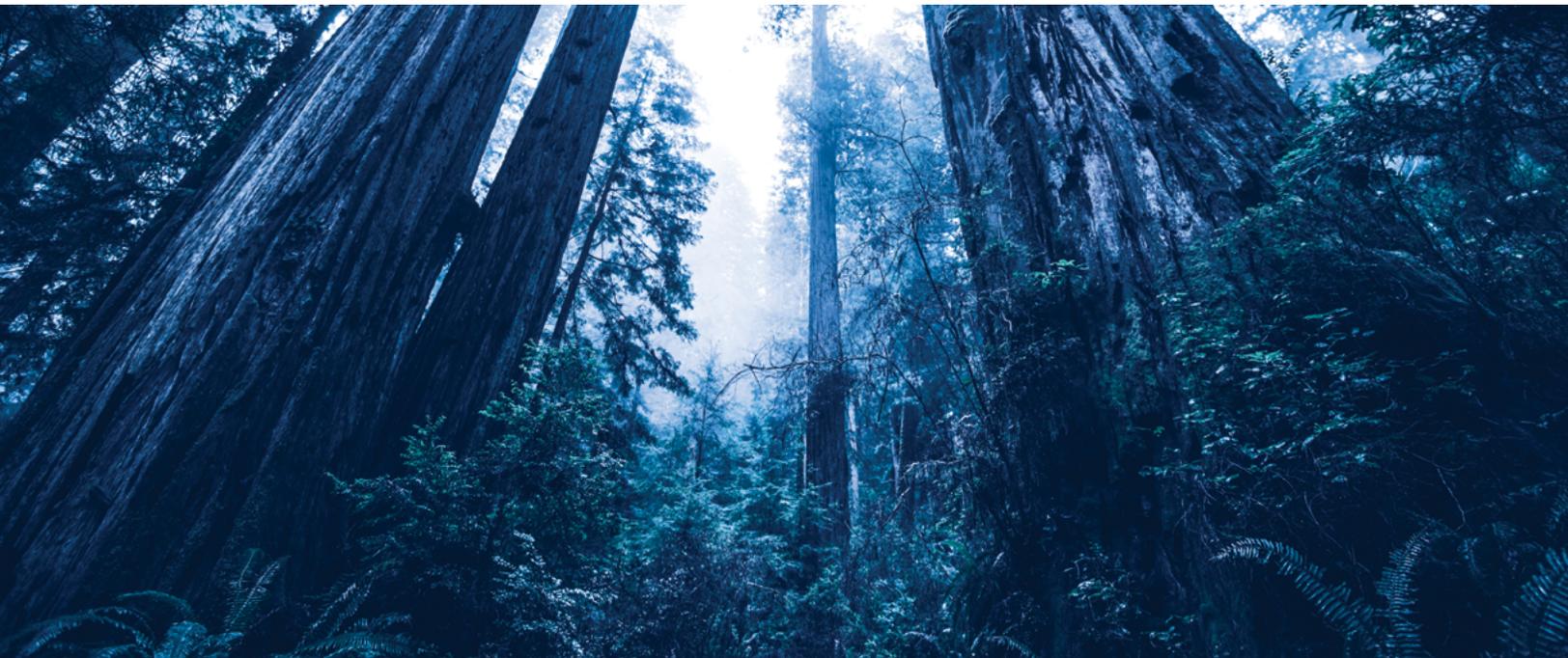
Below are two examples of votes from this past voting season.

Approval of Executive Compensation

Company	A Canadian Oil Company
Addenda's Proxy Voting Policy	Oppose executive compensation because it contains these major issues: <ul style="list-style-type: none">• the use of a single performance metric for incentive programs;• performance targets that are not sufficiently challenging or are lowered without justification; Additional issues with the compensation plan: <ul style="list-style-type: none">• lack of a clawback provision;• “single trigger” severance benefits
Addenda's Vote	Vote Against
Rationale	It is not clear that executive compensation sufficiently ties pay with performance in a manner that aligns executives with the long-term interests of the company. For example: <ul style="list-style-type: none">• Threshold performance for the growth in shareholder value metric is 25th percentile versus peers which may not be sufficiently challenging.• The company's long-term incentive program has only one performance metric. Long-term incentive programs should be linked to a variety of specific objective measures of the company's operational and financial performance that are measured over at least three consecutive years.• The company's incentive plans do not appear to have a clawback provision that would enable the company to recoup bonus awards in the event of material fraud or misconduct by the recipient of a bonus award.• The company provides immediate vesting of certain equity awards upon a change in control rather than requiring that an executive also lose their position.
Results	8.89% of Votes Were Cast Against This Proposal.

Shareholder Proposal for Independent Board Chair

Company	A Global Healthcare Company
Addenda's Proxy Voting Policy	Support election of independent directors to the role of Chair. Support proposals for the separation of Chair and Chief Executive Officer roles.
Addenda's Vote	Vote for (Against Management)
Rationale	Having an independent chair can lead to a clearer separation of responsibility between the board and management, reduce conflicts related to executive compensation and succession planning and help with the recruitment of independent directors. An independent director may increase the diversity of information available to the board and promote an independent mindset in the other directors.
Results	33.28% of Votes Were Cast Against This Proposal.



Engagement Examples

Taking Care of Your Investments

Our corporate engagement activities involve purposeful dialogue with investee entities on important matters identified through monitoring, and on matters that are the subject of votes at shareholder meetings.

We may further engage with company management on issues we feel strongly about or if we have specific concerns about a company's strategy, performance, governance, compensation or approach to risks.

If the company is unresponsive or unable to address our concerns in a manner that helps to optimize long-term value, we may file a shareholder proposal or sell the security.

Please turn to the next page for examples of engagement activities Addenda conducted between July 2017 and June 2018.



Engagement Regarding the Workforce Disclosure Initiative (Q4 2017)

Addenda Capital is a signatory to the Workforce Disclosure Initiative (WDI), which aims to improve disclosure of workforce composition and stability, workforce training and development, and staff engagement at the companies in our investment universe. We engaged with 20 of the 75 companies that were invited to participate in the pilot year of the WDI. We approached a Canadian energy company to better understand their rationale for declining to participate. We discussed the many requests for information the company receives and the possibility for the company to disclose the material workforce information we are seeking using the Sustainability Accounting Standards Board (SASB) standards.

In December 2017, we held fruitful discussions with a global company specialized in manufacturing medical devices. We achieved a better understanding of the alignment of executive remuneration with business strategy, the management of the quality and the safety of its products and related communications with customers. The company also explained the steps taken to ensure manufacturing quality and to limit the incidence of FDA enforcement actions.

Corporate Governance and Product Safety Practices With a Global Company (Q4 2017)

Workforce Disclosure Initiative Pilot Year Results (Q1 2018)



33 companies responded to the pilot year request for better disclosure of workforce practices and performance including several companies that we own in our portfolio. We reviewed the detailed data provided by the companies and followed up with companies to request further feedback on the survey. We submitted consolidated feedback to the WDI for consideration when creating next year's survey. Our focus for the second year of the initiative will be on helping to improve the survey to focus the questions on material issues, with the hope of generating a higher response rate among companies invited to participate.

Discussion about Bribery and Corruption Risks (Q1 2018)

In March 2018, the Sustainable Investing and International Equities teams had a call with representatives of a multinational corporation to learn more about how the company mitigates bribery and fraud. We discussed its Global Integrity Program, recent and planned improvements to its framework for addressing bribery and corruption risks as well as public disclosure of policies, procedures and possible violations.

A vertically intergrated energy company has invested \$440 million into renewable projects, including three wind farms across southern Alberta. They have also installed over half of Alberta's solar-generated electricity. At Addenda, we wanted to know more about the Company's future investments in renewable energy, how the Carbon Competitiveness Incentive program has impacted them, and how they identify, assess, and manage climate-related risks. During a one-on-one meeting with the company, the Corporate Bond Team raised related questions suggested by the SI team. Overall, we were satisfied with their responses but we would like to see improved disclosure of their process for identifying, assessing, and managing climate-related risks.

Discussion about Climate Change (Q2 2018)

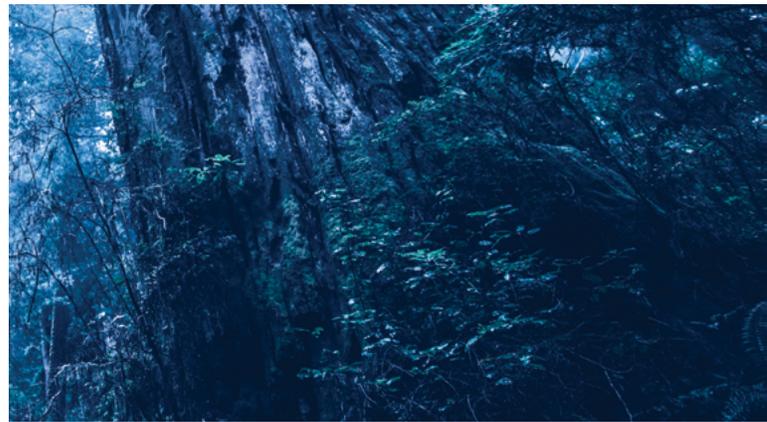
Discussion about Cybersecurity (Q2 2018)

The Sustainable Investing team had a call with a consumer credit reporting agency's EVP of Investor Relations to discuss data security. Overall, we were impressed with the Company's incident management processes. When asked about board-level data security experience, they informed us that they had just appointed a new board member with experience in this area. We also discussed the new EU General Data Protection Regulation, which came into effect on May 25, 2018. We look forward to engaging with other portfolio companies on this topic.



Conclusion

Our stewardship activities, including casting votes and engaging with companies, allows us to actively protect and enhance the long-term interests of our clients and other stakeholders.





Offices

Montréal

800 René-Lévesque Blvd. West
Suite 2750
Montréal (Québec)
H3B 1X9

Toronto

110 Yonge Street
Suite 1600
Toronto (Ontario)
M5C 1T4

Guelph

Priory Square
130 Macdonell Street
Guelph (Ontario)
N1H 6P8

Regina

1920 College Avenue
Regina (Saskatchewan)
S4P 1C4

    addendacapital.com

© Addenda Capital Inc., 2019. All rights reserved.
This document may not be reproduced without Addenda Capital's prior written consent.

