

Sustainable Investing

Quarterly Highlights

Q1 2020



UPDATES



Photo on the Left: Roger Beauchemin, Addenda Capital, Bill Murphy, KPMG and Barbara Zvan, formerly with Ontario Teachers' Pension Plan, at *CatIQ Connect* conference. **Photo on the Right:** Samantha Cameron, Addenda Capital, at the Queen's Commerce and Engineering Environmental Conference (CEEC).

Roger Beauchemin, President and Chief Executive Officer of Addenda Capital, spoke at *CatIQ Connect*, a conference focused on insurance which looked at developing collaborative solutions to mitigate losses from extreme events. He spoke alongside Barbara Zvan, former Chief Risk and Strategy Officer for the Ontario Teachers' Pension Plan and Bill Murphy, of KPMG, Canada's National Climate Change & Sustainability Leader, about how leaders in the financial sector are taking action on climate risk and supporting the transition to a resilient, net-zero emissions society.

Delaney Greig, Director, Sustainable Investing at Addenda Capital, spoke at the Prospectors and Developers Association Conference, at a session organized by UNICEF with the Mining Association of Canada, on reporting and oversight of child and forced labour in supply chains. She addressed global legislative developments made towards mandatory requirements and how investors can support risk mitigation and responsible practices in the area.

In January, Samantha Cameron, Analyst, Sustainable Investing at Addenda Capital, ran a workshop at the Queen's Commerce and Engineering Environmental Conference (CEEC) in Kingston. The workshop introduced students to the Future-Fit Business Benchmark, and how it can be used to evaluate the true sustainability of a company.

Jeremy Rudin, Superintendent of Financial Institutions at the Office of the Superintendent of Financial Institutions (OSFI), spoke about climate change in his [opening remarks](#) to the Annual Review of Insolvency Law Conference. This was the first time a representative from OSFI spoke publicly about climate change to financial institutions. His speech focused on physical, liability and transition risks and put forward the questions that financial institutions and regulators, including OSFI, need to grapple with to actively address climate risks.

FIRM-WIDE INITIATIVES

PROMOTING SUSTAINABLE FINANCIAL MARKETS – RAISING STANDARDS

Investor Statement on Coronavirus Response

In March, Addenda Capital signed-on to the [Investor Statement on Coronavirus Response](#). The statement acknowledges the challenges companies are experiencing and recommends a long-term focus in workforce and governance decisions to manage the crisis. The statement encourages companies to prioritize paid leave, health and safety measures, preservation of employment, supplier/customer relationships, and financial prudence in managing the crisis. The statement has 275 signatories which collectively manage over \$7.7 trillion (USD) in assets.

Canadian Taxonomy for Sustainable Finance

Addenda Capital is participating in the development of a transition finance [taxonomy](#) for Canada, led by the Canadian Standards Association. Supporting the shift to a low-carbon economy, this approach is complementary to the taxonomy that has been developed in Europe. We submitted comments on a draft framework that will be used to develop sector specific criteria for oil and gas, utilities, mining and other sectors.

Comments on U.S. Securities and Exchange Commission (SEC) Proxy Voting Rule Changes

Addenda Capital provided comments to the SEC in response to a consultation regarding two proposed rule changes that would impact Addenda and its clients.

The first was a proposed change to the rights of U.S. company shareholders that would significantly increase the ownership thresholds necessary to file a shareholder proposal and the support thresholds required for resubmission of a ballot item in subsequent years.

The second was proposed amendments to rules for proxy voting advisors that would require proxy advisory firms, like ISS and Glass Lewis, to allow companies to review and comment on their advice on votes before they are provided to their shareholder clients.

Our submission identifies how the existing processes have strengthened capital markets and improved corporate practices on environmental, social and governance (ESG) matters. It also highlights how the proposed changes identified above would negatively impact market participants, particularly shareholders. The SEC received thousands of submissions from investors around the world.

PRODUCT-SPECIFIC INITIATIVES

Corporate Bonds ■ International Equities ■ Canadian Equities ■ U.S. Equities ■ Held in Portfolios ✓

ESG INTEGRATION – BETTER INVESTMENT DECISIONS

Company	Country	Issues	Strategies	Outcome
Packaging and Aerospace	United States	<ul style="list-style-type: none"> Greenhouse gas (GHG) emissions, energy management, and product lifecycle management 	■ ✓	<ul style="list-style-type: none"> Better understanding of the company's target to reduce GHG emissions, annual energy goals and product recycling plan.
Chemical	Switzerland	<ul style="list-style-type: none"> Greenhouse gas emissions, air quality, energy and water management, workforce health and safety, product innovation, risk management and governance 	■	<ul style="list-style-type: none"> Review of the company's GHG emissions reduction target. We noted that the company has reduced energy and water consumption in recent years.
Real Estate Investment Trust	Canada	<ul style="list-style-type: none"> Review of inaugural sustainability report 	■ ✓	<ul style="list-style-type: none"> Better knowledge of the company's targets for short and long-term reduction for GHG emissions, their SASB¹ framework for benchmarking and their recently issued green bond.

STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS

Company	Country	Issues	Strategies	Outcome
Security Services Company	United Kingdom	<ul style="list-style-type: none"> Operations and related employment policies and practices 	■	<ul style="list-style-type: none"> Better understanding of how the company will measure the success of their efforts to resolve recruitment agencies, fees and employment terms and conditions.
Chemical Company	Japan	<ul style="list-style-type: none"> Governance, risk management, strategy and disclosure Climate risk exposure 	■ ✓	<ul style="list-style-type: none"> Review of how the company is working to mitigate risks and reduce emissions, set absolute emission reduction targets and develop additional reporting aligned with TCFD² and a science-based target.
Energy Company	Canada	<ul style="list-style-type: none"> Climate change 	■ ■ ✓	<ul style="list-style-type: none"> Discussions on the company's process to set up GHG emission reduction targets & continuous improvement of TCFD disclosure.
Real Estate Investment Trust	Canada	<ul style="list-style-type: none"> ESG matters GRESB³ Disclosures Data management and collection 	■ ✓	<ul style="list-style-type: none"> Better understanding of how the company focuses on improving governance on board and management succession and formalizing internal employment metrics Aiming to improve entry level compensation and track diversity related compensation and advancement.
Energy Company	Canada	<ul style="list-style-type: none"> Governance Risk management Strategy Disclosure 	■ ✓	<ul style="list-style-type: none"> More details have been provided on the Audit & Risk committee oversee climate-related risks and they report a TCFD table which points to disclosure in various documents along with some SASB metrics. We encouraged the company to use the Future Fit Business Benchmark as a management and reporting tool.

¹ SASB: Sustainability Accounting Standards Board

² TCFD: Task Force on Climate-related Financial Disclosures

³ GRESB: Global Real Estate Sustainability Benchmark

PRODUCT-SPECIFIC INITIATIVES (CONTINUED)

Corporate Bonds ■ International Equities ■ Canadian Equities ■ U.S. Equities ■ Held in Portfolios ✓

STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS (CONTINUED)

Company	Country	Issues	Strategies	Outcome
Multinational Food and Beverage Company	United States	<ul style="list-style-type: none"> Climate change GHG emissions 	■ ■ ✓	<ul style="list-style-type: none"> Reporting on TCFD recommendation using CDP⁴ reporting Better understanding of how the company is working on a TCFD disclosure index.
Real Estate Investment Trust	Canada	<ul style="list-style-type: none"> Climate governance to board of trustees 	■ ✓	<ul style="list-style-type: none"> Company awareness of the risks and opportunities, changing disclosure expectations, investor use of climate disclosure and fiduciary duties.
Several Companies	Various	<ul style="list-style-type: none"> Proxy voting engagements 	■ ■ ■ ✓	<ul style="list-style-type: none"> Feedback provided to companies with lack of 3 female and 3 male representation on the board or no clawback policy for executive compensation due to material misstatement or misconduct.

⁴ CDP: Carbon Disclosure Project