

# Sustainable Investing

## Quarterly Highlights

Q1 2021



## UPDATES

This quarter, Addenda Capital launched the [Climate Transition Equities Strategies](#), which follow an investment approach whose objectives are to achieve compelling financial returns, while aligning with the transition to a resilient, net-zero emissions society by 2050. The Climate Transition Equities Strategies extend beyond integrating environmental, social and governance (“ESG”) considerations utilized in all of Addenda Capital’s investment decision processes; the strategies will invest in companies that clearly demonstrate their alignment with climate transition through their disclosure and performance.

Roger J. Beauchemin, President and Chief Executive Officer, was a panelist at a webconference addressing the issues and challenges related to responsible investing organized by the Cercle Finance du Québec. During this virtual event, Roger explained the difference between calibration and screening and how Addenda seeks to create performance gains and extra-financial results through a more inclusive approach, which includes impact investing and transition as levers for change.

Brian Minns, Vice-President, Sustainable Investing at Addenda Capital, spoke at the Responsible Investment Association’s ESG Symposium on a panel entitled, Emerging ESG Standards & Policies: What Canadian Investors Need to Know. He provided an update on the CFA Institute ESG Disclosure Standards for Investment Products and discussed the impact of emerging standards on Canadian investors. Brian was appointed to the CFA Institute’s ESG Technical Committee in 2020. The CFA Institute plans to issue the Standard in May 2021. ([CFA Institute: Environmental, Social, Governance \(ESG\) Committees](#))

In March, Samantha Cameron, Analyst, Sustainable Investing at Addenda Capital, ran a virtual workshop at the Queen’s University Commerce and Engineering Environmental Conference (CEEC). During the workshop, students were introduced to the Future-Fit Business Benchmark, and how it can be used to evaluate the true sustainability of a company.



Photo: Cercle Finance du Québec, March 31, 2021

## FIRM-WIDE INITIATIVES

### PROMOTING SUSTAINABLE FINANCIAL MARKETS – RAISING STANDARDS

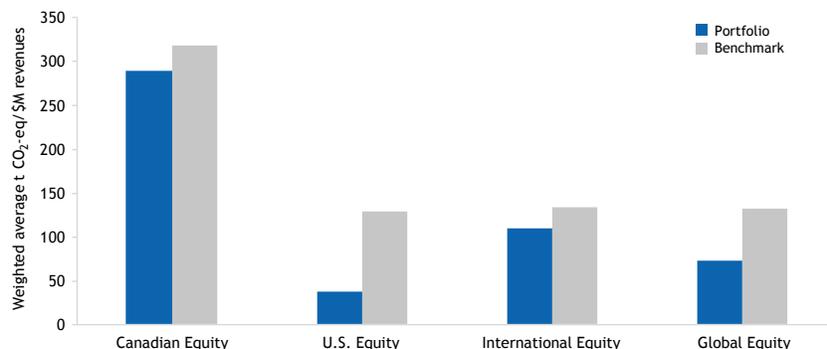
#### Sustainability Accounting Standards Board (SASB) Human Capital Management Review

Addenda submitted comments to the SASB’s review of the human capital coverage in its reporting standards. SASB initiated the review of its human capital in late 2019 in recognition of the evolving evidence of its financial impacts as well as investor interest in more complete coverage. Addenda supports this review and expanded requirements for human capital disclosure, having identified workforce related issues as potentially material across most industries. We will incorporate the results of SASB’s work into our own investment analysis and stewardship.

#### Ontario Capital Markets Modernization Taskforce – Final Recommendations

In January 2021, the Ontario Capital Markets Modernization Taskforce released its final recommendations on reforms to the Ontario capital markets system. These final recommendations included several sustainable markets reforms that Addenda submitted to the Taskforce members in a joint investor submission, including: enhanced requirements for board and executive diversity disclosure and targets for women; mandatory annual advisory shareholders’ votes on executive compensation at listed companies; and, formal climate disclosure requirements in line with the Task Force on Climate-related Financial Disclosure (TCFD).

Addenda Capital Carbon Footprint Equity Pooled Funds 2021 Q1



## PRODUCT-SPECIFIC INITIATIVES

Corporate Bonds ■ International Equities ■ Canadian Equities ■

### ESG INTEGRATION – BETTER INVESTMENT DECISIONS

Company	Country	Issues	Strategy	Outcome
Energy	Canada	<ul style="list-style-type: none"> <li>ESG Review</li> </ul>	■	<ul style="list-style-type: none"> <li>Review of GHG emissions, critical incident risk management and reserves valuation</li> <li>Discussion on company's emissions reduction targets</li> </ul>
Consumer Goods	Germany	<ul style="list-style-type: none"> <li>Human rights</li> <li>Supply chain</li> </ul>	■	<ul style="list-style-type: none"> <li>Review of recruitment practices for human rights risks</li> <li>Demonstrates advanced supply chain risk management and transparency</li> </ul>
Industrial	Canada	<ul style="list-style-type: none"> <li>ESG goals</li> </ul>	■ ■	<ul style="list-style-type: none"> <li>Discussion on company's commitment to carbon neutrality by 2022 and net-zero target by 2030</li> <li>Addressing climate change in their design and delivery solutions</li> </ul>

### STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS

Company	Country	Issues	Strategy	Outcome
Health Care	Canada	<ul style="list-style-type: none"> <li>Workforce and resident health and protection</li> </ul>	■	<ul style="list-style-type: none"> <li>Review of disclosures related to Covid-19 outbreak management and commitment to improved workforce and resident protection</li> </ul>
Consumer Goods	Switzerland	<ul style="list-style-type: none"> <li>Climate action plan</li> </ul>	■	<ul style="list-style-type: none"> <li>Review of their detailed plan to address climate risk and emissions in global supply chain</li> <li>Confirmation of their objective to redirect supply chain towards net-zero emissions through regenerative agriculture, reforestation, waste reduction and recyclability</li> </ul>
Utilities	Canada	<ul style="list-style-type: none"> <li>ESG materiality input</li> </ul>	■	<ul style="list-style-type: none"> <li>Discussion on company's ESG materiality assessment where we deemed SASB and TCFD as reporting priorities</li> </ul>
Transportation	Canada	<ul style="list-style-type: none"> <li>Sustainability practices input</li> </ul>	■ ■	<ul style="list-style-type: none"> <li>Confirmation of its low carbon transmission and its GHG reduction target in line with Paris agreement</li> <li>Discussion about setting a net-zero target by 2050 and using FFB management and reporting tools</li> </ul>
Resources	Canada	<ul style="list-style-type: none"> <li>Board diversity</li> </ul>	■	<ul style="list-style-type: none"> <li>Confirmation of improvements to board diversity and board oversight of diversity and inclusion</li> <li>Expectations for further details in their April proxy circular</li> </ul>
Consumer Goods	France	<ul style="list-style-type: none"> <li>Supply chain risks</li> </ul>	■	<ul style="list-style-type: none"> <li>Discussion of their due diligence of modern slavery risk within their supply chain</li> </ul>

