

Sustainable Investing

Quarterly Highlights

Q2 2020



UPDATES

Responsible Investment Association (RIA) Conference

The Responsible Investment Association (RIA) annual conference was held virtually in June. Roger Beauchemin, President and CEO of Addenda Capital, spoke as part of an opening day panel on the trajectory of sustainable investment, especially around climate change. Annie Laliberté, Senior Portfolio Manager, led two presentations on the International Equity team's approach at the virtual Expo. One notable aspect of the conference this year, aside from it being virtual, was the focus on social issues. Some particularly interesting session topics included:

- Modern slavery and forced labor risks in supply chains across a number of goods and services sectors;
- Advancing legal and market expectations of gender equality among investor and company leadership; and,
- Effectiveness of diversity and inclusion strategies to attract better talent and lead to improved financial outcomes in the long run.

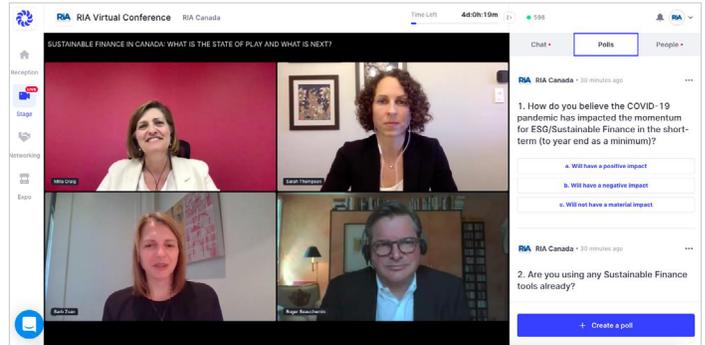


Photo: Milla Craig, Founder & President, Millani, Sarah Thompson, Director, Sustainable Finance, RBC Capital Markets, Barbara Zwan, Canada's Expert Panel on Sustainable Finance and Roger Beauchemin, President and CEO, Addenda Capital

Addenda Employee Involved in Award Winning Advocacy Work

A project previously led by Delaney Greig, Director, Sustainable Investing, received the inaugural [Responsible Investment Association Leadership Award for Advocacy](#). Canada's Modern Slavery Legislation Initiative, undertaken by the Shareholder Association for Research and Education (SHARE) has been working to make companies accountable for developing and disclosing due diligence measures that find and fix human rights risks in their global supply chains, and then report them to investors.

Participating in Canada Climate Law Initiative Webinars

In June, Brian Minns, Vice-President, Sustainable Investing, participated in two [webinars](#) hosted by the Canada Climate Law Initiative. During the first webinar, Brian moderated a discussion with Sean Kidney, Co-founder and CEO, Climate Bonds Initiative, on financing the transition to a resilient, net-zero emissions society by 2050. During the second webinar, Brian participated in a panel discussion on opportunities to accelerate the pace of decarbonization following the COVID-19 pandemic.

FIRM-WIDE INITIATIVES

PROMOTING SUSTAINABLE FINANCIAL MARKETS – RAISING STANDARDS

Letter to TMX Group Regarding Environmental, Social and Governance (ESG) Disclosure

Together with NEI Investments, Addenda wrote and sent a letter to TMX Group encouraging it to move forward with a platform to facilitate ESG disclosure by issuers. The letter encourages TMX Group to use the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD) frameworks as its basis for disclosure. 26 major Canadian institutional investors agreed to sign. An encouraging response was received from TMX at the end of June.

Letter to Government of British Columbia Regarding their Rights of Indigenous Peoples Act

Addenda signed a [letter from investors](#) to the Government of British Columbia expressing support for the [BC Declaration on the Rights of Indigenous Peoples Act \(the Act\)](#) as a step towards reducing the uncertainty that hampers resource development in the province. The letter also emphasizes the importance of including investors as stakeholders in the implementation of the Act.

Feedback to Ontario Capital Markets Modernization Task Force

Addenda collaborated with the Shareholder Association for Research and Education and other investors to provide some sustainable finance recommendations to Ontario's Capital Markets Modernization Task Force, which could improve investor experience and protection.

Our recommendations were the following:

- 1) require ESG disclosure using the TCFD and SASB frameworks;
- 2) introduce time-limited safe harbour provisions for climate-related disclosures; and
- 3) require annual greenhouse gas (GHG) emissions reporting from all companies over a certain size.

PRODUCT-SPECIFIC INITIATIVES

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

ESG INTEGRATION – BETTER INVESTMENT DECISIONS

Company	Country	Issues	Strategy	Outcome
Real Estate and Investment Management	Canada	<ul style="list-style-type: none"> Expansion of services 	■ ✓	<ul style="list-style-type: none"> Better understanding of the company's expansion of services to help clients achieve improvements in energy use and sustainability, ESG integration in their investment management activities, and governance practices, including a management service arrangement and executive compensation
Energy	Canada	<ul style="list-style-type: none"> Revision of issues and recommendations 	■ ■ ✓	<ul style="list-style-type: none"> Identification of these top ESG issues: greenhouse gas emissions, ecological impacts including biodiversity and land use, and operational safety and emergency preparedness
Investment Management	Canada	<ul style="list-style-type: none"> Governance and climate risk 	■ ■ ✓	<ul style="list-style-type: none"> Review of their corporate governance, reputational risks, human capital management and climate-related risk management
Electrical Equipment and Controls	Switzerland	<ul style="list-style-type: none"> Update on ESG analysis 	■ ✓	<ul style="list-style-type: none"> Identification of company's strong environmental performance and concerns regarding executive compensation oversight. We are following the implementation of new business ethics oversight practices
Electrical Equipment	France	<ul style="list-style-type: none"> Update on ESG analysis 	■ ✓	<ul style="list-style-type: none"> Identification of risk regarding human capital management of its large workforce
Technology	Japan	<ul style="list-style-type: none"> Update on ESG analysis 	■ ✓	<ul style="list-style-type: none"> Review of the limited disclosure around human capital management and identification of the board's lack of independence

STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS

Company	Country	Issues	Strategy	Outcome
Utilities	Canada	<ul style="list-style-type: none"> Employee health and safety and the COVID-19 pandemic 	■ ■ ✓	<ul style="list-style-type: none"> 100% of the workforce continue to operate during the pandemic Updated work safety procedures Improvement in company's workforce safety statistics due to safety awareness
Chemicals	France	<ul style="list-style-type: none"> Climate change Water 	■ ✓	<ul style="list-style-type: none"> Advocacy for a new science-based target beyond the current intensity reduction Better understanding of how they are mapping their operations on water stress and factoring water impact into new technology
Several companies	Various	<ul style="list-style-type: none"> Proxy voting-related dialogues 	■ ✓	<ul style="list-style-type: none"> Continued communication with companies regarding a lack of gender diversity on their boards and/or no claw back policies for executive compensation.

PRODUCT-SPECIFIC INITIATIVES (CONTINUED)

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

STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS (CONTINUED)

Company	Country	Issues	Strategy	Outcome
Food and Beverage	France	<ul style="list-style-type: none"> Climate risk in its supply chain 	■ ✓	<ul style="list-style-type: none"> Continued communication with the company about concerns related to the scalability of their tools to reduce the emissions intensity of their supply chain
Food and Beverage	Netherlands	<ul style="list-style-type: none"> Climate change strategy 	■ ✓	<ul style="list-style-type: none"> Discussion on climate change targets and their strategy to manage identified risks
Food and Beverage	France	<ul style="list-style-type: none"> Climate change strategy 	■ ✓	<ul style="list-style-type: none"> Progress on scope 1 + 2 emissions with initiatives in place to address scope 3 Continued communication with the company about the uncertainty around their ability to reach net zero GHG emissions by 2050
Several companies	Various	<ul style="list-style-type: none"> Proxy voting engagements 	■ ■ ■ ■ ■ ✓	<ul style="list-style-type: none"> Lack of diversity, 3 female and 3 male representation on the board or no claw back policy for executive compensation due to material misstatement or misconduct