

Sustainable Investing

Quarterly Highlights

Q3 2021



UPDATES

Climate Investing Goals

At the end of June, The Co-operators, together with Addenda Capital, joined the [Net Zero Asset Owner Alliance](#) and set their own [Climate Investing Goals](#). The goals include: The Co-operators' investment portfolios, managed by Addenda, will be net-zero with respect to greenhouse gas (GHG) emissions (scopes 1-3 emissions) by 2050; an interim target to reduce emissions by 20% by 2026 from the 2019 baseline for public equities and publicly traded corporate bond portfolios. Addenda will have a significant role in supporting the implementation of these targets and will draw on experience in working with The Co-operators to support other clients in their efforts to align portfolios for net-zero results.

Participation in Industry Events

Roger Beauchemin spoke at the launch of Millani's 5th Annual ESG Disclosure study of the Canadian Market about best practices and investor needs for corporate disclosure.

Delaney Greig was a panelist on the U.S. Fixed Income Forum Senior Delegates Roundtable on ESG which covered approaches to ESG integration and sustainable Investing in fixed income markets.

Delaney Greig also spoke at a webinar held by Wealth Professional offering investment advisors guidance on sustainable investment including market dynamics and how to assess the quality of offerings.

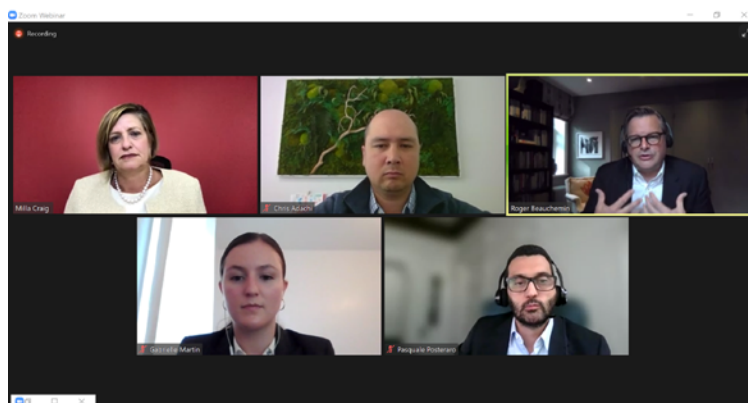


Photo: Millani's 5th Annual ESG Disclosure study

FIRM-WIDE INITIATIVES

PROMOTING SUSTAINABLE FINANCIAL MARKETS – RAISING STANDARDS

CFA Institute ESG Disclosure Standards for Investment Products

This quarter, Addenda submitted comments on the CFA Institute's draft ESG Disclosure Standards for Investment Products. Addenda is largely supportive of the approach taken in the disclosure standards. We believe that the standards represent a clear step towards addressing greenwashing and over-selling in the ESG investment market. It will also help to establish common language and communication expectations for investment products between asset managers, consultants and asset owners.

Canadian Bond Investors Association Statement

This quarter, the Canadian Bond Investors Association (CBIA) issued a [statement](#) to market participants on ESG disclosure and Sustainable labeled bonds. The statement was developed by ESG committee members, including Addenda, and was approved by the CBIA Board. It provides a consensus position from Canadian bond investors to issuers, advisors and brokers on the need for issuer disclosure of meaningful and comparable information both regarding material ESG risks, controls and governance, and regarding use of proceeds for labeled bonds.

PRODUCT-SPECIFIC INITIATIVES

Corporate Bonds ■ International Equities ■ Canadian Equities ■ Global Equities ■ U.S. Equities ■

ESG INTEGRATION – BETTER INVESTMENT DECISIONS

Company	Country	Issues	Strategy	Outcome
Several companies	N/A	<ul style="list-style-type: none"> Company climate commitments 	All	<ul style="list-style-type: none"> Review of global best practices on GHG reduction targets and development of guidance for Addenda investment teams

STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS

Company	Country	Issues	Strategy	Outcome
Energy	Canada	<ul style="list-style-type: none"> Climate Action 100+ Emission targets 	■ ■	<ul style="list-style-type: none"> Discussion on their net zero and interim targets Addressed their diversification into renewables and focus on reducing methane emissions in the short term
Energy and Telecommunications	Canada	<ul style="list-style-type: none"> Sustainability-linked Bond framework 	■ ■	<ul style="list-style-type: none"> Review of new frameworks to link cost of financing to ESG goal achievement Expressed concerns around ambition of ESG metrics selected
Financial Services (two companies)	Canada	<ul style="list-style-type: none"> Sustainability Bond frameworks 	■	<ul style="list-style-type: none"> Review of impact frameworks Provide feedback on directing funds to social and environmental categories
Healthcare	France	<ul style="list-style-type: none"> Human capital management and product safety 	■	<ul style="list-style-type: none"> Discussion of their new approach to employee engagement and culture Confirmation that they have improved product safety communication with health authorities
Technology	United States	<ul style="list-style-type: none"> Executive compensation 	■	<ul style="list-style-type: none"> Discussion on long-term alignment of executive compensation and on how the firm integrates environmental and social strategic priorities in the compensation plan
Consumer Goods	Ireland	<ul style="list-style-type: none"> Corporate changes and ESG strategy Workforce management 	■ ■	<ul style="list-style-type: none"> Discussion on the implications of recent corporate acquisitions and divestitures on ESG strategy, KPIs and targets Discussion on workforce transition, employee engagement



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