

Sustainable Investing

Quarterly Highlights

Q4 2020



UPDATES

Climate Change Explained and Economic and Market Implications

Brian Minns participated in the [webinar](#) organized by CFA Society New York. During that session, Brian spoke about using climate considerations to build positive impacts into fixed-income portfolios.

Investment Industry Association of Canada (IIAC) ESG and Transition Bonds Conference (November)

Samantha Cameron, our Analyst, Sustainable Investing, participated in a panel, “ESG frameworks and green bond issuance”. She discussed impact metrics reporting as well as the Future-Fit Business Benchmark.

Commentary by Roger Beauchemin in The Globe and Mail

The article discussed the importance of Canadian companies' disclosure of management of climate-related risks and opportunities, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

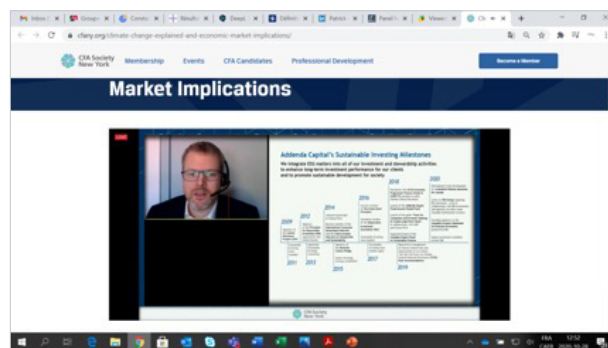


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FIRM-WIDE INITIATIVES

PROMOTING SUSTAINABLE FINANCIAL MARKETS – RAISING STANDARDS

Participating in the Development of CFA Institute's ESG Disclosure Standards Proposal

While Addenda overall supports the recommendations, we suggested changes to their six ESG features. Brian Minns, our Vice President, Sustainable Investing, is a member of the group working on the draft disclosure framework, which will help asset owners understand, compare and select products that meet their ESG objectives; it should be available May 2021.

Response to the International Financial Reporting Standards (IFRS) Consultation Paper on Sustainability Reporting

We provided feedback on the (IFRS) Foundation's proposal to create a Sustainability Standards Board (SSB). While they play an important role, the IFRS Foundation should build on existing standards including TCFD and the Sustainability Accounting Standards Board (SASB) to ensure timely development of their own standard. They should focus on more urgent climate related disclosures; once done, they should proceed with other ESG information. Lastly, they should simultaneously develop disclosure standards for companies' impacts on society and environment.

Feedback on the Canadian Investment Funds Standards Committee (CIFSC) Responsible Investing Fund Identification and Labeling Proposal

Addenda contacted CIFSC with concerns on the CIFC's proposed framework. We suggested a more inclusive consultation process, reviewing existing initiatives in Canada and internationally, and waiting for the CFA Institute's ESG disclosure standards to finalize an approach that ensures CIFSC's contribution is aligned.

Submission to the U.S. Department of Labor Regarding Proxy Voting

Addenda contacted the U.S. Department of Labor regarding proposed restrictions on proxy voting by U.S. pensions and their asset managers – the U.S.'s fourth rule change this year aimed at hampering ESG integration and stewardship. The SEC already passed two rules imposing requirements for filing shareholder proposals and restricting proxy advisors' independence to offer advice. The U.S. Department of Labor proposed restrictions on integrating ESG factors into pension fiduciaries' investment decision-making. Following Addenda's and other investment institutions' submissions, they removed the rules' most harmful aspects from final versions.

Meeting with Ontario Securities Commission (OSC) – a member of the Sustainable Finance Taskforce of the International Organization of Securities Commissions (IOSCO) – Regarding ESG Disclosure for Issuers and Asset Managers

Our interview was part of IOSCO's study on asset managers' use of sustainability information in investment decision-making, ESG reporting and improvements they are seeking in issuer disclosure. IOSCO will use this to build next steps in international policy setting and coordinate securities regulators on ESG and sustainable finance.

PRODUCT-SPECIFIC INITIATIVES

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

ESG INTEGRATION – BETTER INVESTMENT DECISIONS

Company	Country	Issues	Strategy	Outcome
Retail	Canada	• ESG Review	■ ■	<ul style="list-style-type: none"> • Review of recent Latin American acquisition, specifically, company exposure to and management of bribery and corruption risks and physical climate-related risks.
Energy	Canada	• ESG Goals	■ ■	<ul style="list-style-type: none"> • Identification of new GHG emissions targets, specifically a net zero GHG by 2050 and interim target to reduce intensity 35% by 2030. Targets are focused on Scope 1 and 2 emissions. • Board inclusion goals to include 40% women, 20% racial and ethnic groups by 2025. • Mandatory Aboriginal awareness training for all employees and contractors.
Energy	Canada	• Climate Change Plan	■	<ul style="list-style-type: none"> • Review of detailed plan with goal to be a net-zero company by 2040 and help enable a net-zero economy by 2050. • Identification of technologies to achieve this include small modular reactors, electrification, reinvesting in hydroelectric generation, non-hydro renewables and storage, negative emissions technologies and nature-based solutions.
Construction Materials Manufacturer	Switzerland	• ESG Review	■	<ul style="list-style-type: none"> • Discussion on how 70% of their products have a positive sustainable impact. • Review internal GHG emissions reduction target and a path to becoming GHG neutral by 2050.
Pharmaceutical	France	• ESG Review	■	<ul style="list-style-type: none"> • Review of their carbon-neutrality targets by 2050 (Scope 1 and 2) and halving their emissions by end of 2025. • Focus on improving energy efficiency rather than offsetting contribution to lower overall global emissions.

STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS

Company	Country	Issues	Strategy	Outcome
Energy	Canada	• Climate Change	■ ■	<ul style="list-style-type: none"> • Discussion on governance structure to support climate oversight and efforts to align climate lobbying with their views, their use of climate scenarios to affect strategy and capital allocation, emission reduction targets and executive compensation. • Encourage the use of science-based emissions reduction targets.
Energy	Canada	• Climate Change	■ ■	<ul style="list-style-type: none"> • Review their views on emission reduction targets, executive/employee compensation initiatives and their use of climate scenarios. • Discussion on using Scope 3 emissions disclosures, set a medium-term emission reduction target, aligning metrics of short-term incentive program and emission reduction targets.
Financial	Canada	• Sustainable Mortgage Bonds	■	<ul style="list-style-type: none"> • Discussion of their frameworks for green, social or sustainable bonds and to consider setting standard for Canadian issuers by having their green bonds verified against external standard.

PRODUCT-SPECIFIC INITIATIVES (CONTINUED)

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

STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS (CONTINUED)

Company	Country	Issues	Strategy	Outcome
Energy	Canada	• Climate Change	■	<ul style="list-style-type: none"> • Discussion on de-carbonization opportunities by investing in renewable generation and retiring coal generation. • Encourage the use of science-based and medium-term emission reduction targets.
Rental and Leasing Services	Canada	• Climate Change Risks and Opportunities	■	<ul style="list-style-type: none"> • Discussion on risk management, incorporation of climate change considerations in business strategy, commitment to climate action, emissions disclosure and GHG emissions reduction target. • Confirmation that they are building ESG strategy and plan to issue an ESG report in 2021.
Packaging	Canada	• Board Diversity	■	<ul style="list-style-type: none"> • Confirmation that they appointed a third woman to their board, aligning with our proxy voting policy. • Consideration towards key metrics and a reporting structure for oversight on diversity, social and environmental issues.
Industrial	Canada	• Diversity	■	<ul style="list-style-type: none"> • Confirmation that the company has 2 female directors and is prioritizing female candidates in its search, including people of colour. • SASB reporting used, consistent disclosure on workplace health and safety.
Health Care	Netherlands	• Several topics	■	<ul style="list-style-type: none"> • Discussion on business ethics practices in global locations and 3rd party distributors. • Confirmation that they established oversight, training and reporting systems for business integrity compliance for employees and contractors. • Discussion on human resources management and product safety management.
Food and Beverage	Switzerland	• Climate Change	■	<ul style="list-style-type: none"> • Discussion to address supply chain emissions.
Several in Financials and Materials	Canada	• Board Diversity	■	<ul style="list-style-type: none"> • Letters to chairs responsible for nominations to boards at several large companies requesting meeting to discuss diversity, oversight and inclusion; these companies lack targets or timelines for such improvements.
Real Estate Investment Trust	Canada	• Climate Change	■ ■	<ul style="list-style-type: none"> • Discussion on measuring and disclosing of Scope 1 and 2 GHG emissions. • Confirmation that disclosed figures by company would be better than estimates.
Retail	Canada	• Board Diversity	■	<ul style="list-style-type: none"> • Discussion on appointing third female board director and updates to its board diversity policy and representation of people of colour. • Confirmation they receive metrics on diversity through workforce including turnover, advancement, pay, etc.
Food and Beverage	Canada	• Governance	■	<ul style="list-style-type: none"> • Discussion on board diversity, board oversight of diversity and inclusion. • Inquiring response to shareholder proposal on workforce management.