

# Sustainable Investing

## Quarterly Highlights

Q3 2019



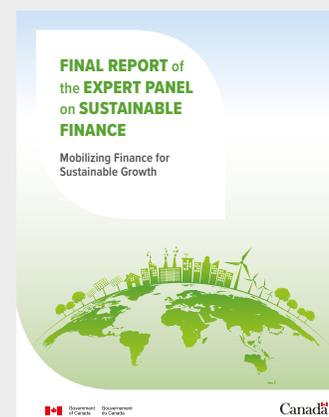
## UPDATES



**Pictured above:** Roger Beauchemin (left), President and Chief Executive Office at Addenda Capital, discussed impact investing at the GlobalCapital Sustainable and Responsible Capital Markets Forum 2019 in Amsterdam. The panel was moderated by Jon Hay, Corporate Finance and Sustainability Editor, GlobalCapital and also included: Timothy Coffin, Senior Vice President, Director of Sustainability, Breckinridge Capital Advisors; Wolfgang Kuhn, Fellow, ShareAction; and Alberto Matellán Pinilla, Chief Economist, MAPFRE.

In September, Roger Beauchemin, President and Chief Executive Officer at Addenda Capital, and Karen Higgins, Executive Vice-President and Chief Financial Officer at The Co-operators, led a [sustainability-focused webinar](#). Hosted by the International Cooperative and Mutual Insurance Federation, the webinar discussed The Co-operators' sustainability journey into impact investing. The Canadian insurer has dedicated 13% of its assets (1.2 billion \$) to impact investing — managed by Addenda — aiming for compelling returns as well as measurable positive environmental and societal impacts.

Brian Minns, Vice-President, Sustainable Investing, joined the group of [Canadian Climate Governance Experts](#) who will offer free sessions on effective corporate governance practices to address climate-related risks to company directors, pension trustees and fiduciaries. The initiative was spearheaded by Dr. Janis Sarra (University of British Columbia) and Professor Cynthia Williams (York University).



### News About the Canadian Expert Panel on Sustainable Finance

In its [Final Report](#), released in June, the Expert Panel provided recommendations for how finance can be mobilized to ensure Canada is a leader in the global transition to a low-carbon economy.

## FIRM-WIDE INITIATIVES

### PROMOTING SUSTAINABLE FINANCIAL MARKETS – RAISING STANDARDS

#### Equator Principles Feedback

The [Equator Principles](#) is a framework currently used by 97 financial institutions in 37 countries to assess and manage environmental and social risks in their project financing activity. As part of a stakeholder consultation for the revision of the Principles, Addenda Capital recommended that signatories align with the Paris Agreement and that they commit to disclosing according to the TCFD's final recommendations. Enhancing the Equator Principles benefits institutional investors as it would strengthen risk mitigation and management by investee companies engaged in project finance.

#### Feedback on Institutional Shareholder Services' (ISS) Voting Policy Consultation

ISS is a leading global provider of proxy voting, corporate governance and responsible investment solutions. In response to its [2019 Benchmark Policy Survey](#), Addenda Capital provided feedback on suggested topics including: board gender diversity, director overboarding, and director accountability relating to climate change risk. ISS will consider the feedback when updating their policies for next year.

#### Call on US Companies to Align Climate Lobbying with Paris Agreement

Addenda Capital was among the 200 institutional investors (representing a combined \$6.5 trillion in assets-under-management) who [announced](#) that they are calling on 47 of the largest U.S. publicly traded corporations to align their climate lobbying with the goals of the Paris Agreement. The statement warns that lobbying activities that are inconsistent with meeting global climate goals can be an investment risk.

#### Letter to the SEC Regarding Shareholder Rights

Addenda signed on to a letter coordinated by the US SIF<sup>2</sup> intended for the U.S. Securities and Exchange Commission (SEC) regarding the current shareholder proposal process<sup>3</sup>. The letter explains that the process has strengthened capital markets and improved corporate performance and does not need to be changed.

<sup>1</sup> TCFD: Task-Force for Climate-Related Financial Disclosure

<sup>2</sup> US SIF: The mission of the US Forum for Sustainable and Responsible Investment is to shift investment practices towards sustainability.

<sup>3</sup> Rule 14(a)(8) of the 1934 Securities Exchange Act

## PRODUCT-SPECIFIC INITIATIVES

Corporate Bonds ■ International Equities ■ Canadian Equities ■ U.S. Equities ■ Held in Portfolios ✓ Not Held in Portfolios ✗

### ESG INTEGRATION – BETTER INVESTMENT DECISIONS

Company	Country	Issues	Strategies	Outcome
A diversified industrial company	Canada	<ul style="list-style-type: none"> <li>Health &amp; safety</li> <li>Fuel economy</li> <li>Emissions</li> </ul>	■ ✓	<ul style="list-style-type: none"> <li>Addenda found that the Company has some good practices but its practices and disclosure could be improved.</li> </ul>
Canadian retailer	Canada	<ul style="list-style-type: none"> <li>Corruption risk following expansion in Latin America</li> </ul>	■ ■ ✓	<ul style="list-style-type: none"> <li>Better understanding of ESG risks and potential fines and compliance costs</li> </ul>
Financial services group	Canada	<ul style="list-style-type: none"> <li>ESG integration in investment management</li> <li>Environmental risk exposure</li> </ul>	■ ■ ✓	<ul style="list-style-type: none"> <li>Better understanding of executive and board level oversight of environmental risks</li> </ul>
Global leader of engineering and industrial, process and specialty gases	Various	<ul style="list-style-type: none"> <li>Greenhouse gas (GHG) emissions</li> </ul>	■ ✓	<ul style="list-style-type: none"> <li>Better understanding of GHG intensity.</li> </ul>

### STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS

Company	Country	Issues	Strategies	Outcome
Energy company	Canada	<ul style="list-style-type: none"> <li>GHG emissions</li> </ul>	■ ■ ✓	<ul style="list-style-type: none"> <li>Better understanding of their GHG reduction goal and long-term plan, including energy efficiency and developing low-carbon power generation</li> </ul>
Large bank	Canada	<ul style="list-style-type: none"> <li>Climate-related risk governance and management, TCFD disclosure and public policy positions</li> </ul>	■ ■ ✓	<ul style="list-style-type: none"> <li>Educated the company about SASB standards and the Future-Fit Business Benchmark</li> </ul>
Grocery leader	Canada	<ul style="list-style-type: none"> <li>ESG topics including SASB standards, TCFD recommendations, and the Future-Fit Business Benchmark</li> </ul>	■ ■ ✓	<ul style="list-style-type: none"> <li>Better understanding of the company's support of extended producer responsibility regulations, and its projects involving circular economy solutions</li> </ul>
Multinational food and drink conglomerate	Various	<ul style="list-style-type: none"> <li>Plastic waste</li> </ul>	■ ✓	<ul style="list-style-type: none"> <li>The company engages and partners with suppliers, competitors and governments to address the problem and is looking into a variety of reusable and biodegradable possibilities.</li> </ul>
Integrated security leader	Various	<ul style="list-style-type: none"> <li>Problematic contracts</li> </ul>	■ ✓	<ul style="list-style-type: none"> <li>Reassurance as to the viability of the company going forward</li> </ul>
Leader in gases, technologies and services for Industry and Health	Various	<ul style="list-style-type: none"> <li>GHG emissions</li> </ul>	■ ✓	<ul style="list-style-type: none"> <li>Better understanding of how the company is reducing carbon emissions</li> </ul>
Biotechnology company	United States	<ul style="list-style-type: none"> <li>Initiatives to further STEM<sup>1</sup> education</li> <li>Environmental testing business opportunities</li> <li>Disclosure practices</li> </ul>	■ ✓	<ul style="list-style-type: none"> <li>Better understanding of how the company's acquisition strategy affects the company's workforce and understanding of the company's plan to develop their ESG disclosure</li> </ul>

<sup>1</sup> STEM: Science, Technology, Engineering and Mathematics



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