



Sustainable Investing

Quarterly Highlights

Q2 2018



UPDATES

- Articles:
- In collaboration with SASB and Future-Fit®, Addenda Capital launched a useful guide for sustainable investors “[Tools for Companies and Investors Seeking to Create Long-Term Value](#)”
 - Addenda Capital’s case study on CoreCivic was included in a [PRI report on ESG, Credit Risk and Ratings](#)
 - Karolina Kosciolk, from our Sustainable Investing team, and our partner The Co-operators both contributed to a paper on impact investing: “[All In. Examining a 100% Impact Portfolio](#)”



Left picture: At the 2018 RIA Conference, Roger Beauchemin, Addenda Capital’s President and CEO, participated in a plenary titled “Global Financial Stability: Climate Disclosure to the Rescue?” alongside Julie Robertson, Vice President and Controller, Barrick Gold, Andy Chisholm, Board of Directors, Royal Bank of Canada, Maia Becker, Director, Environmental and Social Risk Policy, RBC, and Jane Ambachtsheer, Partner and Chair, Responsible Investment.



Right picture: Later the same day, Brian Minns, Vice-President, Sustainable Investing, Addenda Capital, discussed long-term value creation alongside Katie Schmitz Eulitt, Strategic Advisor, Stakeholder Outreach, SASB, and Martin Rich, Co-founder & Executive Director, Future-Fit Foundation in a plenary session titled: “Charting a Course Towards Long-Term Value with SASB and the Future-Fit Business Benchmark”.

FIRM-WIDE INITIATIVES

RAISING STANDARDS – PROMOTING SUSTAINABLE FINANCIAL MARKETS

Encouraging Consistent and Comparable ESG Information Disclosure

In April, Addenda Capital co-signed a letter to the International Organization of Securities Commissions (IOSCO) to highlight the growing need for consistent and comparable disclosure of corporate ESG information. This data would allow investors to make well-informed investment decisions and markets to function efficiently. More specifically, the letter requested that the regulatory body incorporate ESG information reporting into its work programme, to use the [Sustainable Stock Exchanges’ Model Guidance](#) as a core resource, and to endorse the TCFD recommendations. IOSCO responded by stating that they will continue to monitor and discuss these issues on an ongoing basis and indicated a willingness to meet in person.

Supporting Launch of Canadian Expert Panel on Sustainable Finance

Roger Beauchemin, Addenda Capital’s CEO, and Rob Wesseling, The Co-operators’ CEO, participated in a roundtable discussion on sustainable finance hosted by the Federal Ministers of Environment and Climate Change and Finance, Mark Carney and other Canadian business leaders. Following that meeting, the Government of Canada announced the creation of an [Expert Panel on Sustainable Finance](#) to help foster a better understanding of climate-related risks and clean growth opportunities that could affect or benefit future generations of Canadians. We applaud this announcement and have already been in discussion with members of the Expert Panel regarding our interest in supporting their work.

Supported Investor Statements Regarding Climate Change

Addenda became a signatory to the [Investor Statement in Support of a Low Carbon Economy](#) and the [Global Investor Statement to Governments on Climate Change](#). The statements acknowledge the significant risk climate change poses to society, support the Paris Agreement goals and expresses interest in investment opportunities that contribute to the transition to a low carbon economy, including investments in renewable energy, low-carbon transport and technologies.

These statements benefit Addenda and our clients because it is important for our long-term planning and investment decisions, that governments work together to incorporate Paris-aligned scenarios into their policy frameworks and energy transition pathways.

Submitted Response to the OSC Regarding Their Statement of Priorities

We submitted a [response](#) to an [Ontario Securities Commission request for comments](#). Our comments addressed the consideration of ESG risks and opportunities in institutional investors’ duty to act in the best interest of their clients, women on boards and in executive officer positions as well as mandatory climate change disclosure by companies.

ESG INTEGRATION – BETTER INVESTMENT DECISIONS

At Addenda, each investment team can rely on the support of the Sustainable Investing (SI) team for more in-depth information on how ESG factors may affect investment performance.

CCL Industries ■ ■

CCL Industries is a global leader in specialty packaging and labeling (e.g. Avery). In light of changing regulations and attitudes regarding packaging content and end-of-life recycling or disposal, the Sustainable Investing team identified related risks, particularly potential impacts on CCL's customer base. During a one-on-one call, the Corporate Bond team questioned CCL on this topic. In response, the Company assured us that they welcome regulations and view them as an opportunity to innovate and offer new sustainable packaging products to eco-conscious customers.

Heineken ■

Following a risk review by the Sustainable Investing team, a Portfolio Manager met with the Dutch brewery company to discuss their employee health and safety practices, citing serious incidents. Following that, the SI team researched how leaders in this industry are managing such risks. We look forward to providing the Company with some best practice examples in a follow-up discussion.

Enbridge and Keyera ■ ■

In a review of those two Energy companies, the SI team and a Canadian Equity Portfolio Manager highlighted ESG issues specific to the Pipeline and Midstream sector and researched how Enbridge and Keyera manage some of them. Issues raised included environmental ones (e.g. greenhouse gas and other emissions, air quality, biodiversity, land use impacts) as well as Social and Governance issues (e.g. accident and safety management, regulatory/government approvals).

STEWARDSHIP – TAKING CARE OF YOUR INVESTMENTS

Addenda aims to protect and enhance the long-term value of investments for its clients by engaging with the entities it invests in regarding their ESG practices.

Enmax Climate Change Discussion ■

Enmax has invested \$440 million into renewable projects, including three wind farms across southern Alberta. They have also installed over half of Alberta's solar-generated electricity. At Addenda, we wanted to know more about the Company's future investments in renewable energy, how the Carbon Competitiveness Incentive program has impacted them, and how they identify, assess, and manage climate-related risks. During a one-on-one meeting with Enmax, the Corporate Bond Team raised related questions suggested by the SI team. Overall, we were satisfied with their responses but we would like to see improved disclosure of their process for identifying, assessing, and managing climate-related risks.

Experian Cybersecurity Discussion ■

The SI team had a call with Experian's EVP of Investor Relations to discuss data security. Overall, we were impressed with the Company's incident management processes. When asked about board-level data security experience, they informed us that they had just appointed a new board member with experience in this area. We also discussed the new EU General Data Protection Regulation, which came into effect on May 25, 2018. We look forward to engaging with other portfolio companies on this topic.

Constellation Software Board Diversity ■

Constellation had a shareholder proposal regarding a board diversity policy for the second year in a row. Last year, the proposal received the support of 42% of shareholders, this year it gained the support 49% of Constellation shareholders. We voted for the shareholder proposal both years and we are happy to see Constellation has made improvements including appointing a woman to the board. However, we would still like to see a formal board diversity policy.



Offices

Montréal

800 René-Lévesque Blvd. West
Suite 2750
Montréal (Québec)
H3B 1X9

Toronto

110 Yonge Street
Suite 1600
Toronto (Ontario)
M5C 1T4

Guelph

Priory Square
130 Macdonell Street
Guelph (Ontario)
N1H 6P8

Regina

1920 College Avenue
Regina (Saskatchewan)
S4P 1C4

info@addendacapital.com



addendacapital.com