Engaging for change
Active ownership report

Q2 2020

At NEI Investments, our ESG team actively engages companies across our funds to drive change on behalf of our investors. Through dialogue, we alert companies to the environmental, social and governance risks they are facing. We propose solutions to help them overcome tough challenges and improve their ESG performance, with the goal of protecting and growing value for shareholders. We also vote at Annual Shareholder Meetings on matters such as board appointments, good governance and shareholder proposals. This quarterly report shows the progress and outcomes of our engagement and policy activity.

Corporate engagement *by the numbers*

690 Shareholder meetings voted

53 Focus List dialogues

17 Policy actions

Year to date

NEI engagement role

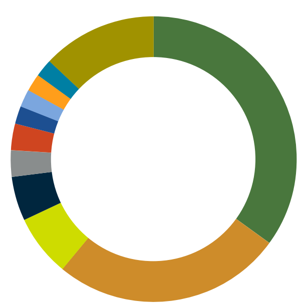
In Q2 we led 88% of our engagements, meaning that we either conducted the engagement ourselves, or led or co-led a collaboration with other investors. Leads are responsible for setting the agenda, and chairing and organizing the investor group's meetings with a company.

Vote instruction

In Q2 we voted against company management on 32% of agenda items at Annual Shareholder Meetings. Voting against management is one indicator to determine whether proxy votes are actively managed by a fund company, rather than set to automatically vote in favour of management.

Engagement by sector

Votes by market



To learn more about how we voted at companies in a particular fund and to review our voting guidelines, visit our proxy voting section at neiinvestments.com.

The immediate lessons of living with COVID-19

By David Rutherford, Vice President, ESG Services

By the time Q2 2020 came to an end, we'd all been living with COVID-19 in our consciousness for half a year, and in our lives for over three months. Those early days of uncertainly provoked tremendous anxiety in the markets, in our boardrooms and in our lives. Gradually at first, and then more quickly, we began to process some immediate lessons:

1. COVID-19 was not fundamentally changing things as much as it was accelerating trends already evolving
2. In a crisis, companies can change – sometimes at lightning speed – to respond to new needs and a broader range of stakeholders
3. COVID-19 has reshaped priorities and created a social climate where longstanding issues, like systemic racism, for example, can suddenly catch fire and capture the attention of entire nations, driving social change as never before

And there's one more lesson: change will not come easy. Existing behaviours are hard to shift. And that as much as we all want to emerge as quickly as possible into a bright new day full of promise for a fairer and prosperous future, we still have a long journey ahead of us. In Q2, NEI took on the leadership of that journey.

In the following pages, you'll read about our work on multiple fronts – from ensuring the early gains made in the adoption of multi-stakeholder business models stick and become standard operating procedure for companies; to helping pharma companies recognize their dual responsibility to their workers and the public when the spotlight is shining so brightly on the sector; to holding Big Tech accountable for protecting the rights of its users; and to ensuring the issues that were front and centre before COVID-19, like climate risks, as well as burgeoning concerns, like systemic racism, all remain in focus as we move forward.

To say we have a full plate is a great understatement. There may never have been a time when so much of what is happening in the world can be addressed and shaped by the work we do. We don't take this path alone. Our work as always is founded on collaboration – with other investors, with the companies we engage with, with policymakers, and, ultimately and especially, with the Canadians who continue to support our vision in increasing numbers, through their investment in our funds. Our work remains focused on the expressed needs of our investors for sustainable, long-term returns and for their money to help them fulfil their commitment to build a better future for everyone.

It's a commitment we share and that has been central to NEI's purpose for over 30 years. Now that we have arrived at a new place, where the work we do is so important, so essential to achieving a better future, we are approaching our mandate with renewed energy and resolve. COVID-19 may have shifted the ground beneath us in ways we have never experienced before, and the immediate impact of the virus may have obscured the road ahead; but it has also clarified for so many the need for change. Understanding that change, managing that change and leading that change, is what we have always set out to do.

The initial shock to the system that was COVID-19 has settled in. Now it's time to move forward.

2020 Proxy Season: Full speed on climate, human rights and pay equity

By Hasina Razafimahefa, Manager, ESG Services, and Lucia Lopez, Analyst, ESG Services

At NEI, we believe thoughtful voting is instrumental in fulfilling our responsibility to our investors and is an important tool for active ownership and corporate engagement.[1]

Though most of 2020 Annual General Meetings (AGMs) switched to virtual due to COVID-19, we were still able to vote thoughtfully on governance matters related to board elections and compensation issues, and on approximately 300 shareholder proposals filed at our companies. While the virtual AGMs were a necessity because of COVID-related restrictions on in-person meetings, we would expect this to be a temporary accommodation. Indeed, in normal times, we would not support virtual-only AGMs, which can reduce management accountability to shareholders, take away the element of face-to-face communication and introduce the risk of companies filtering uncomfortable shareholder questions.

2020 proxy season at NEI

690 Annual meetings attended

280 Shareholder proposals voted

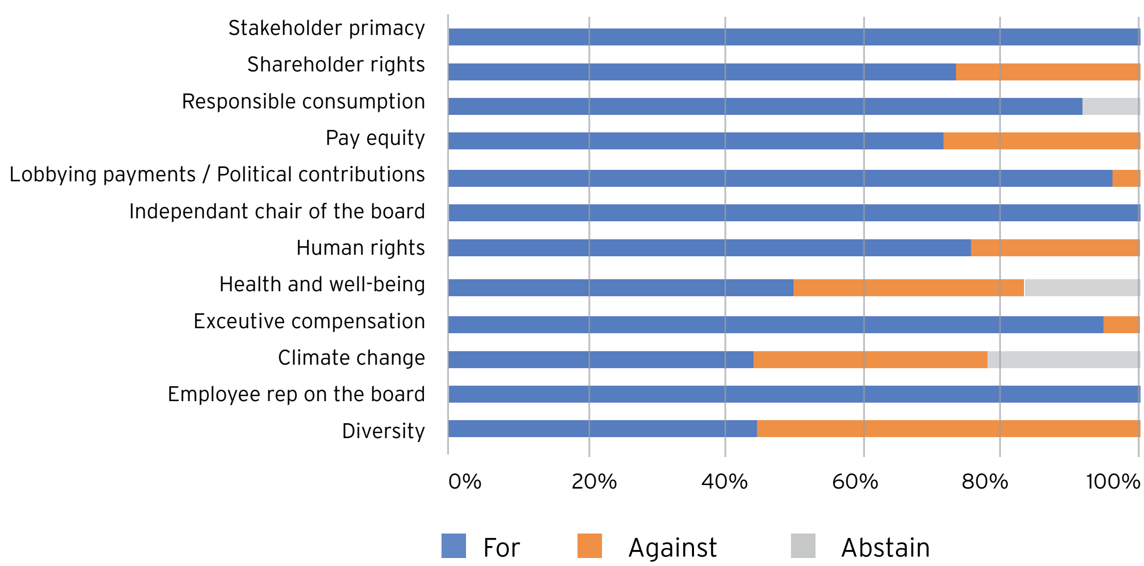
25 Environment – 60% Supported

62 Social – 73% Supported

193 Governance – 79% Supported

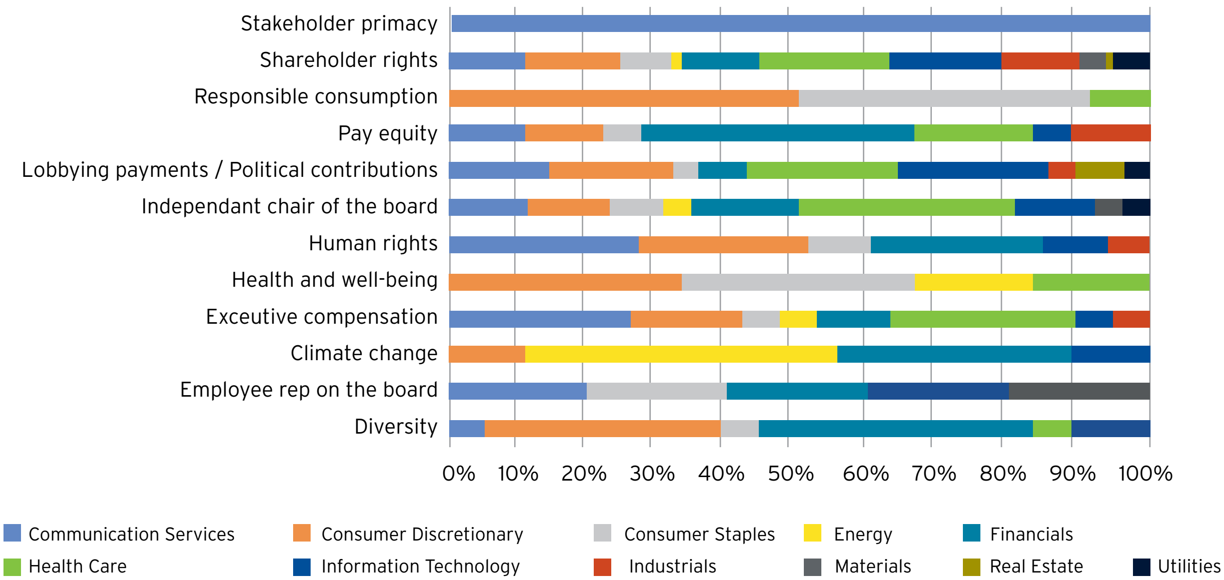
Our top reasons for voting against directors in North America, where we have the biggest exposure, were related to chair and board independence, as well as board composition. We also continued to fight for pay equity when voting on executive pay. Proposals asking companies to address environmental and social issues continue to grow in number and the well-targeted ones have received stronger and increased support from investors. We generally vote in favour of shareholder proposals that are reasonable and well-targeted, make a robust argument in support of the long-term sustainable growth of the company and/or enhanced accountability of the company to its stakeholders, such as employees, communities and investors. Based on our holdings, the top investor concerns were climate change, human rights, lobbying, shareholder rights and pay equity. **Amazon, Alphabet** (parent of Google) and **Facebook** remain the most targeted companies. We focus below on some of the key topics this season.

NEI vote instructions per key issue



[1] To read our proxy voting guidelines or see full records of how we voted per fund or company name, visit: neiinvestments.com

Key themes by sector



Climate change

Climate change remains a top concern for us. We actively voted on climate proposals filed at large energy companies and financial institutions. We voted against or abstained from 56% of climate-related proposals because, while we shared the proponents' concerns about the risks of climate change, we did not necessarily agree with the proposed solution. To us, some of these proposals were not well-targeted and failed to acknowledge the progress that companies and investors have made in this area. For example, we abstained on proposals filed at **Equinor** and **Shell** asking to set and publish targets in line with the Paris Climate Agreement, given that they have been highly responsive to investor engagement on this topic, and have recently disclosed strategies with updated commitments to explore ways to decarbonize operations, including Scope 3 emissions. In contrast, we supported proposals requesting **JPMorgan** and **TD Bank** to prepare reports on their climate risks, despite the efforts both organizations have taken to address climate-related risks. Indeed, we see the added value of more information on their greenhouse gas (GHG) reduction goals and plans, especially as it pertains to better alignment of their lending and financing activities to the Paris Agreement, even if we are still unclear what such targets would look like. Of note, the climate resolution at JPMorgan nearly reached majority support from investors.

This season also saw a rise of "no vote" campaigns. At **JPMorgan**, shareholders were advised to vote lead independent director Lee Raymond off the bank's board due to numerous governance concerns, including excessive tenure and his ability to positively influence the bank's climate strategy given his climate denial history as former CEO of Exxon. Following the campaign, **JPMorgan** announced prior to its AGM that a new lead independent director would be appointed this summer.

In our efforts to address climate change, we started this season to vote against the chair of the board at companies in high risk sectors, that lack a credible strategy to mitigate the risks of climate change. This new voting guideline impacted approximately 60 companies, including **Uber Technologies, Valero Energy and Methanex**. We were even stricter at **Marathon Petroleum Corporation**, where we voted against several members of the board as the company has been involved in lobbying against climate policy in the U.S.

Human and labour rights

Human rights proposals also gained momentum this past proxy season. Over a third of proposals filed at **Amazon** and **Facebook**, and half at **Alphabet**, enquired about the link between technology and human rights. We supported all of them. It is worth noting that of 12 resolutions put to vote at **Amazon**, five received strong support in excess of 30%, including on customer due diligence, hate speech products, human rights impact assessment, lobbying and food waste.

We also pushed for more robust oversight of labour issues by supporting proposals asking for employee representation on the board of North American companies such as **AT&T, Idex Corporation, DuPont, Walmart** and **Square**. Employee representation on boards is a common practice in Europe that we would like to see adopted by North American companies. **Walmart** was specifically asked to consider a policy to allow hourly-paid employees in the initial list of candidates from which director nominees are chosen. Prior to the company's AGM, on a call organized by Majority Action, we had the opportunity to speak with one of **Walmart's** employees and learned about the company's troubling response to the COVID-19 crisis. Though this proposal was submitted pre-COVID-19, the current crisis has accentuated previously identified gaps between board oversight and the operational needs of the company's employees. We supported the proposal but it got low support from fellow investors.

A "no vote" campaign against Alexandre Behring, chair of the Nominating and Corporate Governance Committee at **Restaurant Brands International**, also marked this season. The company has failed to respond adequately to a shareholder proposal to promote decent work practices, that received majority support by independent shareholders in 2019. Mr. Behring received the lowest investor support among the board members, with 10% of investors voting against him.

We continued our quest for board diversity in all its facets. We have encouraged more disclosure of diversity data at companies like **Home Depot**. While the company's current disclosure on its diversity efforts is above average, as it provides a breakdown of its workforce in terms of gender and ethnicity, we would value a full set of diversity statistics at various occupational levels to help us flag any diversity gaps. About a third of **Home Depot** investors shared our view. In light of recent events shedding light on the issue of systemic racism, we started in mid-season to vote against nominating committee members of companies that lack racial diversity on their board. This impacted 16 North American companies, including **Biogen Inc., Devon Energy Corporation** and **Discovery Inc**. Our intent is to help increase the representation of black and indigenous people and people of color at the board level.

Stakeholder primacy

For the first time, large U.S. banks, like **Citi, Goldman Sachs** and **Bank of America**, were pressured to demonstrate alignment of their own corporate purposes with the Business Roundtable (BRT) Statement that each signed recently. We recognize that the various actions these banks have taken may align with the BRT commitments; however, we fully supported these proposals. Today more than ever, it is critical to ensure that board and company actions are geared towards considering the interests of all stakeholders, including those of customers, employees, communities, suppliers, and shareholders. Shareholder support for these three proposals was minimal, at less than 16%.

Top five reasons for voting against directors in North America

Reason	# of companies affected	% of companies affected	# directors affected	% of directors affected
Non-independent Chair	191	49%	793	24%
Interlocks	41	11%	114	3%
Low board independence	35	9%	183	5%
Dual class company	29	7%	271	8%
Excessive tenure	29	7%	89	3%

Chair and board independence

Company boards play a critical role in overseeing management performance and in setting the tone from the top that enables an effective corporate culture. To fulfill that oversight responsibility, boards must consist predominantly of independent members with the ability to effectively challenge and guide management. Most importantly, having an independent board chair and separating the powers of the chair of the board and the chief executive officer are fundamental to good corporate governance. Non-independent board chairs remain a top governance concern at our companies and led us to vote against the nominating committee members and the non-independent chair at nearly half of North-American meetings this season, including at **Cummins Inc, Goldman Sachs Group Inc, Ford Motor Company, West Fraser Timber Co. Ltd. and Bank of America Corporation**. Beyond the chair position, we also expect the board to be composed of at least two-thirds independent directors, although we may make exceptions at smaller companies. About 10% of companies we voted on in North America did not meet that expectation, leading us to vote against their nominating committee members, such as at **Keurig Dr Pepper Inc., Husky Energy Inc., IGM Financial Inc., Berkshire Hathaway Inc. and Bombardier Inc.**

Interlocked directors

Interlocked directors are directors who sit together on more than one board. Interlocks are particularly concerning when they are combined with poor governance practices, such as lack of diversity or independence of the board. When there are too many interlocks on the board, this also may raise concerns about "groupthink" that could prevent the generation of a diversity of thought essential for effective board oversight. Taking these factors into consideration, concerns about interlocks led us to vote against nominating committee members at about 10% of North American companies including **Husky Energy Inc., IGM Financial Inc., Lundin Gold Inc., Keurig Dr Pepper Inc. and Amgen Inc.**

Dual-class capital structure

We support the principle of one share, one vote. Several companies use multiple voting rights as a protection measure for hostile takeovers and to maintain control. We are concerned that such dual class share structures may promote poor governance practices and hinder the ability of other shareholders like NEI to induce needed changes at the company. To address this issue, we typically vote against all but new board members, which impacted nearly 30 North American companies in our holdings including **Bank of America Corporation, CME Group Inc., Mastercard Incorporated, Berkshire Hathaway Inc. and Ford Motor Company.** On a case-by-case basis though, we may make exceptions at companies that have a sunset provision to collapse their dual-class capital structures, or that have otherwise sound corporate governance practices and are open to dialogue with shareholders.

Excessive tenure

We expect companies to have an appropriate mix of director tenures on their board to ensure both business continuity and diversity of viewpoints to help drive variety in questions and concerns raised to management. Indeed, research has shown that boards with well-balanced tenure, where the tenure lengths among directors are evenly distributed, demonstrate better corporate performance and lower risk compared to industry peers. To continue to advance board diversity and encourage board refreshment, we seek to address imbalanced overall board tenure by voting against directors who have been on the board for too long when the overall board tenure is overly skewed toward long-tenured directors, with an average tenure over 12 years. But how long is too long? Using 15 years on the board as a threshold for excessive tenure, we voted against 89 directors at nearly 30 North American companies including **Ross Stores, Inc., Intercontinental Exchange, Inc., Winmark Corporation, Canadian Natural Resources Limited and Southwest Airlines Co.**

Small cap Canada: slow but steady governance improvements

For the third consecutive year, we reached out to companies where we own at least 1% of shares ahead of their respective AGMs to notify them of governance concerns that could lead us to vote against management. In this targeted effort to advance governance practices, we wrote to 13 companies, most of which are small- to medium-cap Canadian companies held in the NEI Small Cap Equity Fund and NEI Small Cap Equity RS Fund (see "Corporate Dialogues" list). We recognize that smaller companies tend to have less mature governance practices compared to larger public companies; as such, we may apply exceptions to our Proxy Voting Guidelines on a case-by-case basis. The top concerns we raised are common features in the small cap space: non-independent chair, the absence of a 'say-on-pay' vote and excessive board tenure, respectively, at 69%, 77% and 54% of these companies on those particular issues. We are pleased by several developments this year: the board of **Pason Systems** became over two-thirds independent by appointing a well-qualified female director, thereby increasing increasing board gender diversity; **iA Financial Corporation Inc.** addressed our concern on director overboarding. **Lassonde Industries, Logistec** and **Leon's Furniture** have also made efforts to refresh their board composition although the board tenure is still skewed toward long-tenured directors. Our 1% campaign has proven to be an excellent channel to start meaningful conversations with and learn more from our significant holdings.

Executive compensation: How much is too much?

This season, we voted against 86% of the 337 advisory votes on executive compensation in Canada and the U.S. for various reasons: pay equity concerns, poor linkage between the pay and performance and lack of a clawback policy. In some instances, we were also concerned about the limited disclosure on the incentive plans which prevents us and other investors from adequately reviewing a company's compensation framework.

- **337 Say-on-Pay in Canada and U.S.**
- **86% Votes Against**

Top pay equity concerns at North American investee companies by region	Canada	U.S.	% total say-on-pay
Excessive CEO or executive pay (more than 150 times the median household income in Canada and exceeding 350 times in U.S.)	9	35	13%
Extremely excessive CEO or executive pay package (more than 200 times the median household income in Canada and 400 times in U.S.)	3	24	8%
CEO pay exceeding 3 times the compensation of average named executive officers	37	108	43%
CEO pay exceeding 5 times the compensation of average named executive officers	1	7	2%
Votes against say-on-pay	86	203	86%
Total say-on-pay votes	114	223	337

Our pay equity concerns related mostly to how much the CEO and other executives were paid. One might ask, how much is too much? We are among the few investors who try to put a number on what's considered excessive. We assess the CEO pay in several contexts including comparing it to the pay of peers, the average named executive officers (NEOs), the second highest paid executive and the median household income in the U.S. and Canada.

The inequity between CEO pay relative to the rest of the NEOs we considered led us to vote against say-on-pay at 144 North American companies, constituting 40% of the total say-on-pay we voted on. Indeed, in those cases, CEO pay was at least three times higher than the compensation of the average NEOs. Where it was more than five times the average NEO pay such as at **Uber, Adobe** and **Finning International,** we were also led to vote against the respective companies' compensation committee members.

When considering our societal context, we voted against say-on-pay at 44 North American companies, which were predominantly U.S. companies. Their total CEO pay package exceeded 150 times the median household income in Canada ($12.7 million) and 350 times in the U.S. ($22 million). In 27 extreme cases, such as **Alphabet** and **Intel Corporation**, we voted against the members of the compensation committee as well. In 2019, their CEOs received the two most excessive total pay packages among companies in our holdings, respectively $280 million and $77 million. Intel's say-on-pay barely received majority support, but Alphabet's still received an overwhelming support of 75%.

Due diligence on long-term care facilities

By Jonathan Bey, Senior ESG Analyst

The Canadian Armed Forces published a report outlining the conditions within five long-term care facilities hardest hit by COVID-19. The report detailed findings of significant negligence. Two of the facilities mentioned within the report are owned or operated by companies within our holdings: **Sienna Senior Living** and **Extendicare.** We have reviewed both companies' responses to the incidents in detail. We have concluded that the companies are not living up to their commitments to ensure residents' health and well-being as a top priority. As we do not expect conditions to improve in the short term through corporate engagement, we have decided to begin divesting our holdings in both companies.

In contrast, **Chartwell Retirement Residences**, another long-term care operator within our holdings, has taken proactive steps since the beginning of the pandemic to address the safety of residents. While we are not overly concerned about its practices relative to other long-term care facilities, we nonetheless wrote a letter to the company to better understand its management systems considering the severe deficiencies among its peers.

Independent shareholders "like" our human rights proposal at Alphabet

By Jamie Bonham, Director, Engagement, ESG Services

This last quarter saw our shareholder proposal asking **Alphabet** to establish a human rights risk oversight committee go to a vote. We were never looking to win the vote as company management controls over 50% of the votes, without including the substantial holdings of the former chair.

The resolution received 16% of the vote overall, but once you take management's votes out of the equation, support for our proposal jumps to 45%. And if you also assume that the past chair voted against the proposal (a very likely scenario), support from independent shareholders for better oversight of human rights risks moves into majority territory. This was a strong result – and apparently the board recognized as much. The opening words at the AGM came from the chair of Alphabet, John Hennessy, and they were exclusively dedicated to speaking about the company's approach to human rights.

Further evidence the company is feeling the rising pressure from investors came on the company's regular ESG call one week later, where Alphabet acknowledged the intense interest on the subject and committed the entirety of the next ESG call to the topic of how it is addressing human rights, a substantive shift from the relatively dismissive response we had received up to that point.

And yet, both the Chair's comments at the AGM and the announcement of a human rights focused ESG call seem to miss the mark completely, and show we have a way to go before seeing eye to eye on this issue.

Risks to fundamental human rights are embedded in Alphabet's business model. From privacy risks around the sharing of sensitive user information to the algorithms that can potentially exacerbate bias, reinforce discrimination or facilitate disinformation, the company is wading ever deeper into areas fraught with risk. And the company's response has been almost entirely reactive – responding to some of the issues it faces, yes, but responding after the fact, to mitigate damage that is already done (to stakeholders or to its reputation). And often, the company has responded only when pressured from civil society or its own employees. The actions the company takes are therefore piecemeal, and rarely, if ever, come from a universal, corporate-wide policy to do no harm. As such, the company's belief that it has no need of an oversight mechanism for corporate strategy is problematic in the extreme.

To be fair to Alphabet, it is possible some deeper thinking has been put into this issue than is evident from the outside. Unfortunately, the company has proved resistant to calls for an open dialogue with investors, which raises a red flag for us. But we have already seen the company move on this issue, and we've seen similarly defensive companies change their tune once they see the value of engaging with informed investors, so we believe Alphabet will ultimately come around to our perspective, and address its human rights risks in a proactive - not reactive - way.

And speaking of reactive, **Facebook** was all over the news late in Q2 as a result of the advertiser boycott facing the company – a boycott rooted in the company's unwillingness to rein in some of the more egregious behaviours its platform is facilitating, from election-meddling to pandering to white-supremacist audiences. After previously defending his inaction under the guise of free speech, CEO Mark Zuckerberg finally conceded the point and announced the company would take some (belated) action to temper the impact of hate on the platform – though only after seeing over 750 companies (such as Coca-Cola, Unilever, and Adidas) pledge to pull their advertising for the month of July. And not surprisingly, the modest changes proposed by the company have so far not impressed. It does not seem that Mr. Zuckerberg has not updated his status to "proactive" just yet...

The common thread that ties Facebook's tribulations with Alphabet's piecemeal approach to managing risks is that neither company has an adequate oversight mechanism in place to identify and mitigate human rights concerns before launching products and services into the world. As such, they are inevitably playing defence and always left applying the band-aid to a self-inflicted wound. Moreover, the lack of a human rights lens for business decisions is having real-world impacts on civil and political rights.

Considering the ubiquitous and growing influence that big tech companies have, the status quo is not acceptable. Nor is it sustainable. It is increasingly clear that governments around the world are looking to step in and regulate the industry to fill the responsibility vacuum left by corporate inaction. In fact, we believe that regulatory action is inevitable and unavoidable at this point, but companies still have the chance to mitigate the negative impacts of future regulation through implementing a robust human rights due diligence process now. More importantly, the role of technology in our lives is too prevalent for us not to have a human rights lens on any developments – there is simply too much at risk.

A world of expectations: How have pharmaceutical companies managed stakeholder needs during COVID-19?

By Jonathan Bey, Senior ESG Analyst

COVID-19 has created a unique dilemma for many healthcare and pharmaceutical companies: To protect the health and safety of employees, or maximize company efforts to support a world in need?

To ensure that companies did not approach this issue as a dilemma, but instead as a challenge to meet both requirements, we partnered with an investor coalition led by Achmea Investment Management, to speak to leading pharmaceutical companies directly on this topic.

Our goal was to emphasize that short-term financial considerations must come second to the global challenge of getting COVID-19 under control. When speaking with companies, we highlighted this point by raising the issue in six key principles:

- Ensuring employee health and safety
- Providing access to and affordability of medicines and vaccines
- Sharing information between the health sector and government
- Cooperating for supply chain resilience
- Protecting employment levels and supplier relationships
- Reinvesting in long-term programs to address infectious diseases

We spoke directly to **Merck & Co., Eli Lilly,** and **Novo Nordisk** about their immediate response to the six principles as well as their longer-term strategy to continue to meet the principles as the challenges surrounding COVID-19 evolve. Our conversations with all three companies confirmed that employee health and safety was a top priority. Each company implemented leading safety practices to remove or reduce the risk of exposure through remote working arrangements, reducing building occupancy and providing sufficient personal protective equipment for employees working in laboratories. We also observed a willingness by all three companies to mobilize their resources to support the communities they operate in. The companies donated money and personal protective equipment, allowed employees who are trained healthcare professionals to work in hospitals, and even supported COVID-19 testing operations in some jurisdictions.

Both Merck & Co. and Eli Lilly have been working on developing COVID-19 treatments. Merck & Co. is focused on developing a vaccine for broad-based inoculation, while Eli Lilly is developing anti-body therapies to support high-risk populations. With the understanding that both treatments have different use cases, we discussed how access and affordability would be considered in the distribution of a potential treatment. Although neither company could speak to price commitments for potential treatments, both companies stated that any potential treatment would follow a needs-based approach for distribution.

We will continue to see pharmaceutical companies' progress on potential COVID-19 treatments. However, once one or more viable treatments are determined, our expectations would be for companies to come together in a coordinated manufacturing effort aligned to the six principles: by sharing information, materials, supplies, and by putting profits second to global solutions.

Although COVID-19 continues to pose many challenges, this experience also offers opportunities to shift our approach in business. Pharmaceutical companies should be thinking about solutions to sustain the protection of their employees' health and safety and consider taking a deeper look at how pandemic preparedness can improve an organization's ability to shift resources and continue operating more effectively. For the healthcare sector, government, academia and investors, the collective response to COVID-19 is proof that collaboration can have profound impacts on the speed and effectiveness of the solutions to many of our global health challenges. Based on the experience of COVID-19, it may be worth considering what else is possible if we work together.

Policy work maintains clear focus on climate risks

By Jamie Bonham, Director, Engagement, ESG Services

A lack of corporate disclosure on climate-related risks and opportunities is a critical barrier standing in the way of investors' ability to address the systemic risks of climate change.

The Expert Panel on Sustainable Finance thought it important enough to make addressing this gap one of its top-line recommendations. And this past quarter, NEI played a leading role in investor collaborations seeking to address the lack of standardized ESG reporting, and the dearth of climate reporting in particular.

We co-authored an investor letter to the TMX Group encouraging the company to incent issuers on its exchanges (e.g., the TSX Composite) to report in alignment with the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD) frameworks. The letter argued that investors are increasingly expecting this kind of disclosure and providing a means for issuers to report in a standardized way would be a key foundation for attracting future capital. TMX Group welcomed the input and has asked to discuss the matter further. Supporting TMX in driving better disclosure from issuers will have landscape-level implications for ESG and climate-related disclosure.

At the same time, we joined a number of fellow investors in urging the Ontario Capital Markets Modernization Taskforce to recommend that Ontario use its regulatory oversight powers to mandate SASB- and TCFD-compliant reporting. NEI was one of the leads penning the formal submission to the Taskforce. The consultation report recently issued by the Taskforce contained this key recommendation, moving us one step closer to mandatory ESG reporting for TSX-listed issuers. The Taskforce also included several other issues raised by the group, including mandating board diversity targets and requiring an annual shareholder vote on executive compensation. We are hopeful that investors engage in the consultation on the Taskforce recommendations and support these important developments.

Better late than never...Washington's NFL team retires offensive team name

By Jamie Bonham, Director, Engagement, ESG Services

There have been numerous long overdue statements recently from various companies responding to the inequities and injustices of systemic racism so clearly articulated by the Black Lives Matter movement, but the decision by Washington's NFL football team to retire the team name "Redskins" still took us by surprise.

Indigenous groups (supported by some investors and civil society) have for years viewed the name as an affront to Indigenous peoples and an unacceptable example of corporate racism, and have tried in vain to apply pressure on the team to drop the name. The team's ownership has been steadfast in refusing to even engage in a conversation on the topic, and efforts to pressure sponsors on the issue met with, if not opposition, then at best apathy from companies only too happy to associate themselves with the Washington brand.

Times have changed. We were recently part of a group of investors who wrote to three of the team's key sponsors (Nike, FedEx, and PepsiCo) asking them to cut ties with the team if it didn't change its name. All three of the companies had recently made strong public statements of solidarity with Black Lives Matter and its stand against systemic racism – statements that made their tolerance of the offensive team name even harder to justify.

The letters, led by First Peoples Worldwide, asked companies to "meet the magnitude of this moment, to make their opposition to the racist team name clear, and to take tangible and meaningful steps to exert pressure on the team to cease using it." And to their credit, they did (finally) rise to the occasion to address a case of clear discrimination against Indigenous peoples.

All three companies subsequently contacted the team to express their concerns (Nike going as far as to remove all of the team's merchandise from its online store) and shortly thereafter Washington announced that it would be commencing a thorough review of the use of the name. Just 10 days later, Washington ownership announced it would be retiring the name and associated mascot. Such an about face is evidence that something fundamental has shifted, and while changing a football team's name could be considered merely symbolic, it is hopefully symbolic of the potential change on the horizon – change that investors can help galvanize.

Heroes no more?

By Jamie Bonham, Director, Engagement, ESG Services

We have commented previously on the 'green shoots' of stakeholder capitalism that we've seen from companies in the wake of the pandemic, where companies are taking actions to protect all of their stakeholders – employees, suppliers, and communities – and not just shareholders. We said at the time that these green shoots would need tending from vigilant responsible investors if we wanted to see real change on the other side of the pandemic.

Turns out that time is now. Senior executives from **Loblaws, Metro** and **Empire Company** were recently called to testify in front of a House of Commons committee on why all three companies summarily ended the $2 per hour "hero pay" salary bump for frontline workers within days of each other, despite the end of the pandemic being nowhere in sight. The companies justified the move to roll back the pay increase by stating it was only meant to compensate employees for the added workload brought on by panic buying in the early days of the crisis, and was not reflective of increased risk faced by employees or a reflection of their essential nature.

This response highlights the systemic nature of the inequity facing the workers at the bottom of the companies' pay scale – the pandemic made it clear they are essential to the success of the company, but apparently not essential enough to be paid fairly. Unifor (the largest private sector union in Canada) president Jerry Dias summed the situation up perfectly: "The fact is, the pandemic did not make these workers essential and did not create the inequities in retail. It simply exposed them."

We wrote to both Loblaws and Metro this quarter to commend them for putting stakeholders at the centre of their strategic response to the COVID-19 crisis and to highlight our belief that the companies are facing a critical juncture on their path to being truly sustainable and inclusive.

We will be looking to meet with both companies in Q3 to dig deeper into this topic, and to question their recent decision to end the pay bump, which we feel is a short-term decision that could have long-term implications. To be fair, the issues of inequity in retail are far bigger than just one company and solutions will ultimately have to involve consumers – the same consumers who have been made keenly aware of the essential value of these workers during the pandemic.

Meanwhile, we wrote to Canada's Big 5 banks, **BMO, CIBC, RBC, Scotiabank** and **TD** to better understand how the COVID-19 crisis impacts the banks' long-term strategies when it comes to balancing the needs of their various stakeholders. As well, we commended the positive actions they have taken and initiated a dialogue on what their role is in addressing the inequities that, as Jerry Dias pointed out, pre-existed the pandemic but have been laid bare by the crisis. We are looking at both the internal equity within the banks as well as the role that executive compensation plays in the broader context of income inequality. And beyond that, what the role of a bank is to address the systemic risks of inequality through its influence and leverage. What we don't want to see are signs that the industry is going to profit from the uncertainty and hardship created by the pandemic.

In that vein, recent revelations that banks (including Canadian banks) were making handsome profits from the government sponsored small business loan programs in the U.S. are, if nothing else, bad optics. At worst it is a sign that the more things change, the more they stay the same, and the massive upheaval of the pandemic will result in the same winners and losers as always (where banks are always on the winning side).

It is hard not to see echoes of the 2008 financial crisis in this, where bank execs made off like bandits after governments stepped in to inject trillions of dollars of public money to prop the industry up. However, under the glare of public scrutiny, some banks are already indicating they will be donating those profits to non-profit organizations working with underserved communities – showing that business as usual might no longer be possible for the industry.

Corporate *dialogues*

Holdings can change at any time without notice.

Company	Sector	Topic	NEI funds
Alphabet	Communication Services	Human rights due diligence	NEI Canadian RS Equity Fund; NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI Global Equity Fund; NEI Global Equity Pool; NEI Global Equity RS Fund; NEI U.S. Equity RS Fund; NEI U.S. Equity Fund
AltaGas	Energy	Advancing ESG management and disclosure	NEI Canadian Equity RS Fund; NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool
Black Diamond Group	Industrials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
BMO	Financials	Advancing the stakeholder theory of the firm	NEI Canadian Bond Fund; NEI Canadian Dividend Fund; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool
Canadian Tire	Consumer Discretionary	Responsible supply chains; Circular Economy Leadership Coalition; Implementing TCFD recommendations on climate disclosure; Science-based GHG emissions targets	NEI Canadian Equity RS Fund; NEI Canadian Dividend Fund; NEI ESG Canadian Enhanced Index Fund
Canfor Pulp Products	Materials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Chartwell Retirement Residences	Real Estate	Advancing the stakeholder theory of the firm	NEI Canadian Dividend Fund; NEI ESG Canadian Enhanced Index Fund
CIBC	Financials	Advancing the stakeholder theory of the firm	NEI Canadian Equity RS Fund; NEI Canadian Bond Fund; NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool; NEI Global Dividend RS Fund; NEI Growth & Income Fund; NEI Money Market Fund
E-L Financial	Financials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund
Eli Lilly	Health Care	Advancing the stakeholder theory of the firm	NEI U.S. Equity RS Fund; NEI Global Equity Fund; NEI U.S. Equity Fund
FedEx	Industrials	Respecting Indigenous rights	Sold
General Motors	Consumer Discretionary	ClimateAction 100+	NEI Global Value Fund; NEI Global Total Return Bond Fund
iA Financial	Financials	Advancing governance of significant holdings	NEI Canadian Equity RS Fund; NEI Canadian Small Cap Equity RS Fund; NEI Canadian Bond Fund; NEI Canadian Equity Pool; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool
Lassonde Industries	Consumer Staples	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Leon's Furniture	Consumer Discretionary	Advancing governance of significant holdings	NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund
Loblaw	Consumer Staples	Responsible supply chains	NEI Canadian Equity RS Fund; NEI Canadian Bond Fund; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool
Logistec	Industrials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
MEG Energy	Energy	Advancing the Canadian energy transition	NEI ESG Canadian Enhanced Index Fund; NEI Global High Yield Bond Fund
Melcor Developments	Real Estate	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund
Merck	Health Care	Advancing the stakeholder theory of the firm	NEI U.S Equity RS Fund; NEI Global Dividend RS Fund; NEI Global Equity Fund; NEI U.S. dividend Fund; NEI Tactical Yield Fund; NEI U.S. Equity Fund; NEI Global Equity Pool; NEI Global Sustainable Balanced Fund; NEI Global Total Return Bond Fund

Corporate *dialogues*

Holdings can change at any time without notice.

Company	Sector	Topic	NEI funds
Metro	Consumer Staples	Responsible supply chains	NEI Canadian Bond Fund; NEI Fixed Income Pool; NEI Canadian Dividend Fund; NEI Canadian Equity Pool; NEI ESG Canadian Enhanced Index Fund
Mullen Group	Industrials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
Next PLC	Consumer Discretionary	Responsible supply chains	NEI Global Value Fund
Nike Inc	Consumer Discretionary	Respecting Indigenous rights	NEI Global Dividend RS Fund; NEI Global Equity Fund; NEI U.S. Equity Fund
Novartis	Health Care	Investors for Opioid Accountability	NEI Global Equity Fund
Novo Nordisk	Health Care	Advancing the stakeholder theory of the firm	NEI Global Equity RS Fund; NEI International Equity RS Fund; NEI Global Dividend RS Fund; NEI International Equity Fund; NEI Global Equity Pool
Pason Systems	Energy	Advancing governance of significant holdings	NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund; NEI Canadian Equity Fund; NEI ESG Canadian Enhanced Index Fund; NEI Growth & Income Fund
PepsiCo	Consumer Staples	Respecting Indigenous rights	NEI Global Dividend RS Fund; NEI Global Equity Pool; NEI Tactical Yield Fund; NEI U.S. Equity RS Fund; NEI U.S. Dividend Fund
RBC	Financials	Advancing the stakeholder theory of the firm	NEI Canadian Equity RS Fund; NEI Canadian Bond Fund; NEI Canadian Dividend Fund; NEI Canadian Equity Pool; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool; NEI Global Total Return Bond Fund; NEI Global Equity Pool; NEI International Equity Fund; NEI Money Market Fund
Richelieu Hardware	Industrials	Advancing governance of significant holdings	NEI Canadian Small Cap Equity Fund; NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
Scotiabank	Financials	Advancing the stakeholder theory of the firm	NEI Canadian Equity RS Fund; NEI Canadian Bond Fund; NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI Canadian Equity Pool; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool; NEI Global Total Return Bond Fund; NEI Global Dividend RS Fund; NEI Growth & Income Fund; NEI Money Market Fund
Secure Energy Services	Energy	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund; NEI ESG Canadian Enhanced Index Fund
Suncor	Energy	Advancing the Canadian energy transition	NEI Canadian Equity Fund RS; NEI Canadian Bond Fund; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool
TD	Financials	Advancing the stakeholder theory of the firm	NEI Canadian Equity RS Fund; NEI Canadian Bond Fund; NEI Canadian Dividend Fund; NEI Canadian Equity Fund; NEI Canadian Equity Pool; NEI ESG Canadian Enhanced Index Fund; NEI Fixed Income Pool; NEI Global Sustainable Balanced Fund; NEI Growth & Income Fund, NEI Money Market Fund
TMX Group	Financials	Advancing the Canadian energy transition	NEI Canadian Bond Fund; NEI Canadian Equity Fund; NEI ESG Canadian Enhanced Index Fund; NEI Growth & Income Fund
Winmark Corporation	Consumer Discretionary	Advancing governance of significant holdings	NEI Canadian Small Cap Equity RS Fund

Policy *actions*

Policy activity	Impact sector	Impact market	SDG theme
We organized a webinar in coordination with the Investor Alliance on Human Rights explaining B.C.'s Declaration on the Rights of Indigenous Peoples Act to investors in order to build signatories to the investor statement of support we authored in support of the act.	All	Canada	SDG 16 - Peace, Justice and Strong Institutions
We joined a statement calling on governments to implement mandatory human rights due diligence. $4.2 trillion in AUM represented.	All	Global	SDG 16 - Peace, Justice and Strong Institutions
We attended a meeting with Ontario's Capital Markets Modernization Taskforce, asking for mandatory ESG disclosure as one of several suggestions to make the capital markets in Ontario more efficient for investors and companies alike.	All	Canada	SDG 16 - Peace, Justice and Strong Institutions; SDG 13 - Climate Action
We joined an investor letter to financial regulators in the United States, encouraging them to take immediate action to address the risks of climate change.	All	U.S.	SDG 13 - Climate Action
We joined a sign-on letter to the state of Pennsylvania, supporting its effort to strengthen methane rules for existing sources of methane in the oil and gas industry.	Energy	U.S.	SDG 13 - Climate Action
We joined a sign-on letter to the California Air Resources Board, urging the board to quickly adopt the updated Advanced Clean Truck rule aimed at speeding the reduction of emissions from medium- and heavy-duty vehicles.	Industrials	U.S.	SDG 13 - Climate Action
We co-authored a proposal to the Ontario Capital Markets Modernization Taskforce, encouraging the taskforce to recommend that Ontario mandate ESG disclosure as a means of ensuring access to capital and reducing disclosure requests.	All	U.S.	SDG 16 - Peace, Justice and Strong Institutions; SDG 13 - Climate Action
We co-authored a letter with Addenda Capital asking the TMX Group to implement a voluntary or mandatory approach to incenting issuer disclosure in line with TCFD and SASB.	All	Canada	SDG 16 - Peace, Justice and Strong Institutions; SDG 13 - Climate Action
We joined a sign-on letter encouraging state governors to embrace a multi-state zero emission strategy for medium and heavy-duty vehicles.	Industrials	U.S.	SDG 13 - Climate Action
We became a signatory to a statement on investor expectations regarding worker safety for employees in meat processing facilities during the pandemic.	Consumer Staples	U.S.	SDG 3 - Good Health and Well-Being
We joined a letter to the U.S. Congress urging members to support the Disclosure of Tax Havens and Offshoring Act.	All	U.S.	SDG 16 - Peace, Justice and Strong Institutions

Visit us online: neiinvestments.com