NEI

» DEMAND MORE. WE DO.

FOCUS LIST 2023

A guide to our ESG themes and the companies we're talking to this year

OUR GOAL IS TO PROTECT SHAREHOLDER VALUE WHILE ADVOCATING FOR COMPANIES' ACCOUNTABILITY TO ALL STAKEHOLDERS.

We believe the most effective way to achieve that goal is by exercising our rights as shareholders using three powerful tools: corporate dialogue, proxy voting, and shareholder proposals. These tools comprise our active ownership program, sometimes also referred to as corporate engagement.

We talk directly with companies to alert them to the environmental, social, and governance risks they face, and to influence their decisions. In a spirit of collaboration, we discuss how they can improve their ESG performance to achieve long-term sustainability, which includes positive investment outcomes for shareholders.

Our approach to active ownership incorporates internationally recognized principles and frameworks such as the Principles for Responsible Investment, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines, and the UN Sustainable Development Goals.

Beyond active ownership lies policy advocacy. Engaging on policy and standards in Canada and globally enables us to create system-wide change. Whether we are talking with policymakers, regulators, standard setters, or industry associations, the time and energy we dedicate to this area can raise the bar for everyone.

In this document you will find:

- a summary of our key areas of focus for the year
- a list of the companies we will engage and the funds that invest in them
- an overview of our expected policy activities

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INTRODUCTION

Jamie Bonham, Head of Stewardship
Michela Gregory, Director, Responsible Investing & ESG Services

This year marks the release of NEI's twenty-second annual Focus List. The Focus List is our way of holding ourselves accountable to our active ownership mandate, which includes making our intentions known to our investors and other stakeholders. It marks the launching point of the year's engagement program and is an opportunity to renew our efforts to drive corporate change. The themes and topics we identify in the list are results of our look back at progress made and challenges faced over the past year(s), as well as a look forward to emerging environmental, social and governance themes and developments. The themes we choose help guide us in tackling the systemic risks we face in our society, and as a responsible investor.

Perhaps the first thing an investor would notice if they looked back through our history of engagement, is that some themes and company names repeat from year to year. This reflects the underlying nature of committed corporate engagement—namely, that change takes time. Driving substantive shifts in corporate strategy does not happen overnight and can in fact take years. Some challenges are so vast and multi-faceted they force their way onto the agenda every year.

But while broad themes like climate change and human rights land on the list nearly every year, the specific goals and targets continue to evolve as we build on past successes. For example, years ago we asked companies to simply acknowledge climate change or human rights impacts as a risk to their business. Now, we ask them to align their capital spending and corporate strategy with a net-zero pathway, or to perform a human rights impact assessment across their operations.

The companies on our Focus List represent an important sub-set of our holdings, but not the totality of our engagement ambitions for the year. For example, last year we engaged 222 companies, compared to the 30 we had on that year's list. This year we have 40.

Focus List companies are selected based on a combination of factors, including: our exposure (i.e., how much of a given security NEI owns), alignment with the Focus List themes, the severity and materiality of the risk, the systemic importance of the company, the strength of our existing relationships, and ease of access and the likelihood of achieving measurable progress. This selection process and resulting list of prioritized names will influence our engagement program for the year. We have plans to engage more companies, but we give ourselves the flexibility to respond to opportunities and emerging risks that we know will surface along the way. For example, companies will often initiate dialogue with us to request our feedback or glean our insights on new disclosures or strategies. We must be prepared for active engagement on those requests.

It is important to note that companies are not necessarily on our list because their ESG performance is lower than peers. In many cases, the opposite is true. We put industry leaders on the list if we want to pursue an agenda that may be too advanced for their peers, or if we want to collaborate with companies on tackling emerging best practices that can raise the bar for entire industries. In other cases, a company might sit in the middle of the pack on an issue, neither a leader nor a laggard, but the size of our investment may increase the materiality of the risk and elevate them to a priority name. Still others make the list because they are lagging their peers, but we believe we can mitigate the risks through engagement, with the goal of capturing the potential upside of improved ESG performance.

In sum, the Focus List represents our attempt to capture the breadth of ESG issues our team has identified in our investment portfolio, and to provide a sense of the ambition we hold for driving impact.

SUMMARY OF FOCUS THEMES

We have identified nine UN Sustainable Development Goals (SDGs) that most directly inform our themes and will guide our corporate dialogues for 2023:

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

HUMAN RIGHTS

We firmly believe there is an onus on businesses to integrate respect for human rights into their operations. Our discussions this year will be focused on two main areas: human rights in the supply chain, and digital rights. Companies in focus include **Alphabet**, **Apple**, and **Meta Platforms**.

INEQUALITY

Inequality takes on different dimensions as it cuts across sectors in various ways. Over the years this systemic issue has required us to use the full suite of tools available to us as responsible investors. This year we will emphasize four core issues: human capital; diversity, equity and inclusion; equitable compensation; and equitable access. Companies in focus include **AbbVie**, **Johnson & Johnson**, and **JPMorgan Chase**.

NET-ZERO ALIGNMENT

Last year was, to say the least, a tumultuous one for the energy transition, with war, precedent-setting climate legislation, and extreme weather events. Our core topics are net-zero commitments and transition plans, reducing methane emissions, circularity, and mitigating supply chain impacts. Companies in focus include **AltaGas**, **Canadian Natural Resources**, and **NextEra Energy**.

NATURE

Our society has done a poor job acknowledging the value of natural capital, and of managing it. Over the past few years NEI has placed greater focus on nature and biodiversity in our approach to active ownership, so that we can have a positive influence on this growing area of concern. Our core topics for 2023 are impact and dependency assessment, and deforestation. Companies in focus include **Bank Rakyat Indonesia**, **Canadian Tire**, and **Taiwan Semiconductor**.

1 HUMAN RIGHTS

We firmly believe there is an onus on businesses to integrate respect for human rights into their operations. This expectation is one that is consistently supported by international law and standards and by a variety of other stakeholders, including responsible investors.

In our approach to considering human rights in our investment decision-making process, we reference multiple internationally held sets of standards and guidance. These are discussed in our Responsible Investment Policy and include, for example, the UN Guiding Principles on Business and Human Rights (UNGPs), a set of guidelines for governments and companies to prevent, address and remedy human rights abuses committed in business operations. The UNGPs provide us with a common lens to discuss human rights issues with companies, especially those with global operations.

We welcome the evolving legislative landscape intended to clarify expectations for companies across industries. For example, there is new legislation in Germany and draft legislation in the European Union (EU) requiring due diligence actions to be taken by companies in consideration of human rights and environmental risk in the supply chain. In Canada, proposed legislation would require disclosure at certain companies of their policies and due diligence with respect to modern day slavery. This proposal includes prohibitions on the importation of goods associated with forced labour and child labour.

Legislative developments on digital rights have also been underway in various jurisdictions, from the EU to India. It appears these discussions will carry into 2023. For example, it is expected that the proposed Artificial Intelligence (AI) Act in the EU could set the tone for further regulation in other jurisdictions on the safety of AI systems.

Given the context of legislative enhancements, our discussions with companies will continue to raise these important concerns they must confront. We expect them to consider these risks in their decision-making, and we believe consideration for human rights should be embedded in corporate risk analysis and strategy. Questions they should ask themselves might include, how will they expand operations or extend their supply chain into new geographies *in a way that respects human rights?* How will they bring innovative products or services to market *in a way that respects human rights?*

Our discussions this year will be focused on two main areas:

1. Human rights risks in the supply chain
2. Digital rights

Human rights risks in the supply chain

Discussions on the issue of human rights in the supply chain remain a core "S" issue for certain sectors, such as consumer staples and consumer discretionary. In 2022, many of our conversations with companies with extensive supply chains were focused on encouraging companies to share more about how they ensure suppliers are upholding human rights. We ask them how they proactively identify issues and potential issues. When risks are identified, we want to know how they work with suppliers to rectify the situation and provide the necessary remedies to workers that have been affected. In instances of egregious misconduct, we ask if and how the company will initiate the process of disengaging from a supplier or other business relationship, and what the result of that could mean for their operations.

As we look to the year ahead, we expect to continue dialogues with companies we have engaged in the past. Some dialogues now underway are conducted in collaboration with other investors, such as those centred around KnowTheChain's benchmarks. KnowTheChain evaluates companies' performance on workers' rights issues.

Digital rights

There continues to be a need for clear investor expectations on corporate action on digital rights issues. Digital rights such as freedom of expression and privacy are a feature of our times, and companies in the information technology and communications sectors have immense influence on the flow of information in our society. We remain attuned to the risks of social media, artificial intelligence, facial recognition technology and other emerging technologies.

In instances of egregious misconduct, we ask if and how the company will initiate the process of disengaging from a supplier or other business relationship, and what the result of that could mean for their operations.

Such issues will continue to be a core area of focus in 2023 for collaborative engagement. These engagements include investor efforts that are guided by organizations such as Ranking Digital Rights and the World Benchmarking Alliance. Ranking Digital Rights considers how companies embed digital rights into their business, and the World Benchmarking Alliance has facilitated a collaborative engagement that moves companies forward in the development of ethical AI practices.

Companies in focus	Sector
Alphabet	Communication Services
Amazon	Consumer Discretionary
Apple	Information Technology
Empire Company	Consumer Staples
Meta Platforms	Communication Services

Company list is not exhaustive and is subject to change.

UN Sustainable Development Goals related to this theme

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

2 INEQUALITY

Inequality takes on different dimensions as it cuts across sectors in various ways. Over the years this systemic issue has required us to use the full suite of tools available to us as responsible investors.

In 2022 we emphasized proxy voting, we have been involved in a series of corporate dialogues, and we have collaborated with other investors to consider policy advancements designed to combat systemic inequality.

This year we focus on four core issues:

1. Human capital
2. Diversity, equity and inclusion
3. Equitable compensation
4. Equitable access

Human capital

From the challenge of inflation amid a post-pandemic recovery, fair wages, health and safety, and recent unionizations efforts, there was a prevalence of human capital-related issues raised in 2022. While the issues will vary based on the company's particular business, they remain important points of dialogue across sectors.

In addition to our corporate dialogues, NEI is acting as co-chair of the Human Capital Committee of the International Corporate Governance Network (ICGN) in 2022 and 2023. Through this role we have had the opportunity to collaborate with global committee members on good corporate governance practices with respect to health and safety practices post-pandemic, and investor expectations of a company's board in advancing a just transition. We intend to continue these efforts through the ICGN, along with advancing our own more focused dialogues around worker rights, especially in the context of inflation.

Diversity, equity and inclusion (DEI)

We continue to evolve our approach to DEI topics when considering the makeup of corporate boards, executive teams, and within a company's workforce.

With respect to proxy voting, we have enhanced our expectations over the past few years. For example, since 2022, our expectation has been for at least 40% women on the board in larger companies in Anglo markets. One of the enhancements we will be implementing in 2023 is our requirement that ethnically diverse directors represent at least 20% of the board of companies in Anglo markets (U.S., Canada, U.K., Ireland, Australia).

While we recognize the limitations of making these decisions without always having diversity data that is self-reported by the individuals on the boards or executive teams of companies, we feel it is necessary to advance the dialogue by recognizing the continued underrepresentation of certain groups on corporate boards and executive teams. As part of our approach, we also reach out to select companies where we voted against the incumbent members or chair of the nominating committee to discuss their approach to diversity, as part of what we call our "feedback-on-proxy" campaign.

Last year we reached out to gaming companies in our portfolio to encourage more disclosure and action toward creating a safer and more inclusive workspace in a sector that has been confronted with allegations of harassment and discrimination. We will be looking to continue these conversations in 2023. We are also looking to articulate more concrete expectations for encouraging diversity beyond gender, race, and ethnicity.

Equitable compensation

The most significant rise in inflation since the early 1980s hit hard for many in 2022, exacerbating the impacts of a global pandemic that had already widened the growing divide in income inequality. Many, if not most of the global workforce, have not experienced this kind of inflationary period before.

But one part of the workforce has actually been enjoying a different kind of inflation. The Economic Policy Institute has found that CEO pay rose 1,322% between 1978 and 2020, a trend that has recently renewed itself after a very brief lull during the first year of the pandemic. What this means in practice is that CEOs of S&P 500 companies were paid, on average, 324 times the median worker's pay in 2022. In 1981, that figure was around 38 times the median.

We continue to evolve our approach to DEI topics when considering the makeup of corporate boards, executive teams, and within a company's workforce.

This trend of soaring executive pay has not led to benefits for shareholders or society as a whole. There is evidence that excessive executive pay leads to negative share performance, which is perhaps a counterintuitive finding until you unpack the risks and possible outcomes of placing that much importance in a single individual. What is clear is that it is likely exacerbating income inequality at a time that already feels fraught with instability.

We will continue to make equitable compensation a core focus for our engagement and proxy voting campaign. We will be voting against key board members where excessive compensation is an issue, engaging and challenging boards on their compensation practices, and looking to drive a critical mass among shareholders to support a push for more equitable pay practices.

Equitable access

Equitable access, particularly in the context of the health care sector, and more specifically pharmaceuticals, has been a core feature of our engagements for years. While the pandemic elevated our focus on this effort, we expect to continue applying our influence. The pandemic taught us all a lesson about how companies do indeed have the ability to take innovative and varied approaches to access that until that point were not often used or considered. In 2023 we will continue to be involved with investor collaboratives such as the Access to Medicine Foundation and the Interfaith Center on Corporate Responsibility health group in advancing dialogues with companies about how they can expand their efforts and approaches to facilitating greater global access to medicines, drugs and treatment.

Companies in focus	Sector
AbbVie	Health Care
Johnson & Johnson	Health Care
Linde	Materials
Roche	Health Care
JPMorgan Chase	Financials

Company list is not exhaustive and is subject to change.

UN Sustainable Development Goals related to this theme

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

3 NET-ZERO ALIGNMENT

Last year was, to say the least, a tumultuous one for the energy transition, with war, precedent-setting climate legislation, and extreme weather events. Not surprisingly, net-zero alignment will once again feature prominently for us this year.

The incredible momentum and optimism of COP26 (in 2021) came crashing into the energy crisis spawned by Russia's invasion of Ukraine, bringing the issue of energy security to the fore and boosting the need for near-term oil and gas production to replace Europe's reliance on (now)-sanctioned Russian sources.

The Biden Administration was able to pass the most substantial and sweeping piece of climate-related legislation the U.S. has ever seen, providing an enormous lift to clean energy aspirations while simultaneously causing national governments (in particular Canada's) to consider upping their game lest they be left behind.

And all the while, 2022 provided frightening snapshots of the implications of unmitigated climate change, with heat waves, droughts, and floods around the world reminding us of what is at stake.

We will focus on four key areas under this theme:

1. Net-zero commitments and transition plans
2. Reducing methane emissions
3. Circularity
4. Mitigating supply chain impacts

Net-zero commitments and transition plans

While 2023 opens with concerns that governments and companies will walk back their climate commitments in the face of rising energy costs (and near-term profits), the long-term signs all continue to point in one direction: the pathway to net zero. Therefore, we will continue to push companies to adopt a robust transition strategy that aligns with a net-zero trajectory and is backed by real capital commitments.

Despite a topsy-turvy year, corporate commitments continue to grow in number and ambition and our conversations in 2023 will be getting into the details of transition plans and the capital spending required to make them real. We continue to see leading companies setting robust, corporate-wide targets that will help us influence their peers to do the same.

As part of our climate strategy and goal to align NEI assets under management with a net-zero pathway, we are working to ensure that we are engaging our most significant emitters from a financed emissions perspective to ensure their strategies also align. (Financed emissions are a factor of how much the company emits and how much we own.) We will be looking to the Net Zero Investment Framework to determine the degree of alignment of the companies in high-impact sectors (e.g., utilities, oil and gas, materials, industrials, and the auto sector) and engaging those names that are found the most lacking.

We will continue to lead or co-lead engagements in important investor collaborations such as Climate Action 100+ and Climate Engagement Canada. These investor-driven initiatives share common high-level goals that support the drive to net zero.

Reducing methane emissions

Methane emissions, particularly those from the energy sector, are a significant driver of short-term global warming and one of the primary means for the oil and gas sector to reduce emissions in the near term. The International Energy Agency's (IEA) stock-taking report on 2022 methane emissions from the energy sector notes that emissions were back to near record highs. Governments, including Canada's, have set ambitious reduction targets for methane from the oil and gas sector, reinforcing the materiality of the need for reduction. However, traditional methods of measuring methane have proved frustratingly inconsistent, leading to concerns that companies are greatly underestimating their actual emissions. Moreover, if a company does not have an accurate picture of its methane emission sources, there is a risk the capital will be misallocated in the effort to reduce them. The recent advancement of direct methane measurement tools has provided the means to address this shortcoming and will be a focus for us in 2023.

Circular solutions are expected to be a growing segment of the market and governments are increasingly indicating a desire to set supportive policies.

We will be engaging oil and gas firms to join the Oil and Gas Methane Partnership 2.0. OGMP 2.0 is a multi-stakeholder initiative launched by the UN Environment Programme and the Climate and Clean Air Coalition. The goal is to improve the accuracy and transparency of methane emissions reporting in the oil and gas sector and has become the leading framework to address methane emissions. At the start of 2023, there were no Canadian signatories to the framework, something we hope to change this year.

Circularity

Our linear economy continues to be a barrier for our long-term net-zero ambitions and a clear, immediate threat to biodiversity. With a focus on extracting resources, using them once, and then disposing of them, a linear economy will struggle to maintain sustainable growth and ultimately undermine our climate and biodiversity goals.

Moving toward a more circular economy, where materials are kept circulating in the economy for as long as possible, holds the promise of increasing the economic efficiency of our resource use while mitigating our impacts on our environment. Circular solutions are expected to be a growing segment of the market and governments are increasingly indicating a desire to set supportive policies, such as the government's ban on single use plastics and its zero plastic waste ambition. While circularity is not a commonplace term for investors or companies just yet—the Expert Panel on the Circular Economy in Canada estimates that just over 6% of our economy is circular today—we see this as a huge opportunity for well-placed companies.

We will be talking to companies about their plans for circularity, from reducing plastic waste to increasing recycled content to encouraging more circular business models. We will leverage our ongoing membership in Circular Economy Leadership Canada to find new ways and opportunities to grow the circular economy.

Mitigating supply chain impacts

It is important that we don't lose sight of the full lifecycle impacts of our drive to net zero in order to ensure the energy transition is a net positive, not just for the climate, but for society as a whole. Demand for the critical minerals needed to build the next generation of clean infrastructure and new technologies is projected to skyrocket, with the IEA stating demand for critical minerals could grow 500% by 2050 under its net-zero scenario. How these minerals are mined, processed, and eventually manufactured into the solar panels and electric vehicles of tomorrow matters. That development needs to mitigate harm to nature while respecting Indigenous rights and ensuring safe working conditions. We do not want to trade one problem for a host of others, so it is incumbent on investors to consider the system as a whole as we move forward with our net-zero ambitions.

There is a real opportunity to use the drive to net-zero to transform mining into a more responsible, sustainable industry. We are strong supporters of the Initiative for Responsible Mining Assurance, a third party audited standard that sets an extremely high bar for mine performance. We will be asking companies to engage with the standard and ultimately to undergo audits. However, while we will be talking with the mining companies we hold, an equally important focus will be on the companies driving the demand for critical minerals. We will be encouraging the companies downstream of the mining sector to put pressure on their supply chains to adopt more responsible mining practices.

Solar energy is a particularly promising tool to decarbonize our electricity system, and growth in the sector continues to surprise even its most ardent supporters. However, some 45% of the world's solar-grade polysilicon (a key component of almost all solar panels in the world) is sourced from the Uyghur region of China, where there are documented concerns about the use of forced labour and other human rights abuses. Chinese companies further up the solar supply chain are likewise implicated. Considering the extent of sourcing from the region, most, if not all, companies operating in the solar sector are exposed to these risks, making this a material risk for them and their investors. Proper due diligence, increased transparency and mitigation strategies will be the focus of these engagements to ensure the sector is not contributing to the use of forced labour.

Companies in focus	Sector
AltaGas	Utilities
Canadian Natural Resources	Energy
GFL Environmental	Industrials
Magna International	Consumer discretionary
NextEra Energy	Utilities
Winpak	Materials

Company list is not exhaustive and is subject to change.

UN Sustainable Development Goals related to this theme

4 NATURE

Our society has done a poor job acknowledging the value of natural capital, and of managing it. Over the past few years NEI has placed greater focus on nature and biodiversity in our approach to active ownership, so that we can have a positive influence on this growing area of concern.

The elevation of nature as a priority issue for global stakeholders has been affirmed by the UN Human Rights Council's declaration that access to a "clean, healthy and sustainable environment" is a human right. Businesses are indeed part of that stakeholder base that has an impact on, and is dependent on, nature.

The World Economic Forum notes that over half of global gross domestic product is moderately or highly dependent on nature and its "ecosystem services." Three examples of these services are pollination, water quality and disease control. There is also no denying that nature-related issues intersect with other priority ESG concerns such as climate change, human rights and Indigenous reconciliation.

Corporate action on nature and biodiversity is vital, yet disclosure is underwhelming. And yet, there has been a series of positive developments over the past year as governments, companies and investors seek to align efforts to protect and restore nature. There is new regulation in the European Union, for example, requiring due diligence by companies importing or exporting forest risk commodities such as beef, cocoa, palm oil and timber.

These efforts culminated with COP15 in December 2022, where governments set a 2030 target to protect 30% of the world's natural habitat and a 2050 target where "all ecosystems are maintained, enhanced, or restored, substantially increasing the area of natural ecosystems." The business and financial sector has been tasked with monitoring, assessing, and disclosing their risks, dependencies and impacts on biodiversity. There is work underway to facilitate this enhanced disclosure by organizations such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Science Based Targets Network (SBTN). Action on nature and biodiversity loss is becoming an *expectation* of companies and will continue to be a feature of our engagements in 2023.

Corporate action on nature and biodiversity is vital, yet disclosure is underwhelming.

Last year we sought to integrate nature and biodiversity into our engagements across sectors. At that time, we referred to our focus theme as "biodiversity," whereas this year, we have redefined our theme using the more all-encompassing word, "nature." Our two major areas of interest are the same as last year:

1. Impact and dependency assessment
2. Deforestation

Impact and dependency assessment

Our dialogues with companies started with questions to help us better understand their approach to assessing the ways they impact and depend on nature. Unsurprisingly, we learned that different companies are at different stages of their journey. Though TNFD and the SBTN are working to move companies toward standardized reporting, there is inconsistency in approaches that may last for some time. We expect to continue our focus on these assessments in 2023 as we form the basis for articulating more specific expectations for portfolio companies.

We also look forward to contributing to collaborative engagements such as Nature Action 100, an investor coalition focused on "driving corporate ambition and action on tackling nature loss and biodiversity decline."

Deforestation

One aspect of nature and biodiversity that we have begun to zero in on is deforestation. We are part of the Finance Sector Deforestation Action Initiative, which was initially formed around a shared commitment to eliminate agricultural commodity-driven deforestation. This investor collective is taking a collaborative approach to engaging companies on deforestation risks, grounded in certain investor expectations. We are participating in a number of their engagements, sometimes as the lead or co-lead investor, tasked with coordinating the dialogue on behalf of the group. The companies engaged sit across different sectors where there is a high exposure to deforestation risk. Alongside these collaborative dialogues, we also expect deforestation to be a feature of additional conversations that we initiate on a solo basis, or through other collaborative efforts.

Companies in focus	Sector
Bank Rakyat Indonesia	Financials
Canadian Tire	Consumer discretionary
Lowe's	Consumer discretionary
Koninklijke	Materials
Taiwan Semiconductor	Information Technology

Company list is not exhaustive and is subject to change.

UN Sustainable Development Goals related to this theme

COMPANIES IN FOCUS

The companies identified below represent just the starting point for our 2023 engagements. Typically, as a result of this engagement work and through our ongoing ESG evaluations and holdings analysis, we will engage additional companies on these and other ESG issues as the year progresses.

Companies are selected based on multiple criteria, including their connection to our identified themes, our exposure within our investment portfolio, the materiality of the ESG risk, and the company's ESG standing as determined by our evaluation process. We report on existing and new engagements in our quarterly Active Ownership Reports.

Communication Services

- Alphabet
- Electronic Arts
- Meta
- Tencent Holdings

Consumer Discretionary

- Amazon
- Canadian Tire
- Lowe's
- Magna International

Consumer Staples

- Empire Company
- Loblaw Companies
- Metro
- Saputo

Energy

- Canadian Natural Resources
- Enbridge
- Shell
- Suncor Energy

Financials

- Bank Rakyat Indonesia
- JPMorgan Chase
- Royal Bank of Canada
- Scotiabank
- Toronto-Dominion Bank

Health Care

- AbbVie
- Johnson & Johnson
- Roche

Industrials

- Canadian National Railway
- GFL Environmental
- Waste Management

Information Technology

- Apple
- CGI
- Microsoft
- Taiwan Semiconductor

Materials

- Agnico Eagle Mines
- Koninklijke
- Linde
- Nutrien
- Winpak

Real estate

- SmartCentres Real Estate Investment Trust

Utilities

- AltaGas
- American Waterworks
- NextEra Energy

COMPANIES HELD BY FUND

This table shows how many focus companies are intended to be engaged per equity fund, as well as assets under management attributable to those companies as of February 28, 2023.

The number of companies adds up to more than the 40 identified in the list because of holdings overlap. In other words, many companies are held in more than one fund. Holdings are subject to change at any time, without notice.

<table>
<tr><th>Fund name</th><th>No. of companies</th><th>Fund AUM %</th></tr>
<tr><td>NEI ESG Canadian Enhanced Index Fund</td><td>20</td><td>38%</td></tr>
<tr><td>NEI Canadian Equity RS Fund</td><td>18</td><td>47%</td></tr>
<tr><td>NEI Canadian Dividend Fund</td><td>16</td><td>34%</td></tr>
<tr><td>NEI Global Equity Pool</td><td>15</td><td>25%</td></tr>
<tr><td>NEI U.S. Equity RS Fund</td><td>13</td><td>28%</td></tr>
<tr><td>NEI Canadian Equity Fund</td><td>11</td><td>25%</td></tr>
<tr><td>NEI Canadian Equity Pool</td><td>8</td><td>29%</td></tr>
<tr><td>NEI Global Equity RS Fund</td><td>8</td><td>16%</td></tr>
<tr><td>NEI Growth & Income Fund</td><td>8</td><td>32%</td></tr>
<tr><td>NEI Global Dividend RS Fund</td><td>7</td><td>7%</td></tr>
<tr><td>NEI Environmental Leaders Fund</td><td>5</td><td>17%</td></tr>
<tr><td>NEI Global Value Fund</td><td>5</td><td>23%</td></tr>
<tr><td>NEI Emerging Markets Fund</td><td rowspan="7">< 5 per fund</td><td rowspan="7"></td></tr>
<tr><td>NEI Global Growth Fund</td></tr>
<tr><td>NEI Can Small Cap Equity RS Fund</td></tr>
<tr><td>NEI Clean Infrastructure Fund</td></tr>
<tr><td>NEI International Equity RS Fund</td></tr>
<tr><td>NEI U.S. Dividend Fund</td></tr>
<tr><td>NEI Canadian Small Cap Equity Fund</td></tr>
<tr><td></td><td>Total NEI equity AUM represented</td><td>20%</td></tr>
</table>

POLICY ACTIVITY

Many of the policy actions initiated last year will likely come to fruition in 2023, offering investors plenty of opportunities to support this momentum.

Policy and standards advocacy is a key pillar of our responsible investment program. The systemic nature of the challenges we face means we see benefit in working toward systems-level solutions that can move whole sectors and economies. This work is complementary to our corporate engagement and is often self-reinforcing, in that we engage companies on how they themselves are engaging policymakers on the same topics, and we encourage policy change on issues that will elevate the standards for many companies.

Net-zero and the energy transition

We anticipate that 2023 will continue the torrid pace of policy developments, and we will be following several specific ones. This will likely be the year that mandatory climate-related disclosure becomes a reality for North American companies, with both the Canadian Securities Administrators (CSA) and the U.S. Securities and Exchange Commission (SEC) potentially releasing their final frameworks. We will continue to work with other investors to help get the frameworks over the finish line, and to ensure the standards released are ambitious and in line with investor expectations.

The International Sustainability Standards Board (ISSB) will be releasing its final climate-related disclosure standards in 2023, which will be a huge driver of the standardization of climate-related data and an enabler of mandatory reporting. We will be working to ensure that both the CSA and SEC align with the ISSB standard for global standardization and comparability. The ISSB may also release disclosure standards outside the area of climate that we expect to contribute to.

Both Canada and the U.S. will be releasing heightened expectations for methane emission reductions in the oil and gas sector, and we will be making recommendations for those expectations to be robust and ambitious. We anticipate that methane will play a significant role in Canada's pledge to put a cap on emissions in the energy sector, and we will continue to engage the government and portfolio companies to ensure the goal of capping emissions is not lost.

Regardless of who wins the upcoming election in Alberta, the province will be developing its climate strategy. We will continue to leverage our partnership with the Energy Futures Policy Collaborative to help guide a policy that encourages uptake of energy transition opportunities.

Further steps toward reconciliation

Reconciliation and Indigenous leadership will be central to Canada's success in building a sustainable economy. The concept of economic reconciliation is picking up momentum, and through that reconciliation we can see a path for economic growth in the resource sector—though it need not, and should not, be confined to that sector.

In 2022 the Tahltan Nation in B.C. signed the first consent-based decision-making agreement under the province's Declaration of the Rights of Indigenous Peoples Act (DRIPA) in relation to the Eskay Creek Revitalization Project mine, a precedent that charts a path for how industry can support economic reconciliation and enhance project certainty. We will continue to urge the B.C. government to prioritize implementation of DRIPA to realize the potential of reconciliation-focused development.

The federal government's goal of "30 by 30"—30% conservation of Canada's land and water by 2030—will rely heavily on the development of Indigenous Protected Conservation Areas, conservation areas that are managed and governed by Indigenous communities. We intend to support the work of groups such as the Indigenous Leaders Initiative, which are working to develop sustainable models for these areas.

The CSA has stated that a priority in 2023 will be to better incorporate Indigenous perspectives into the regulatory process. We are very supportive of this goal, as it will go some way in addressing a key gap in Canada's reconciliation framework. We will continue to engage with the regulators on implementation of this ambition, paying particular attention to the mandate, structure, and makeup of the CSA Taskforce on Indigenous Peoples in the Capital Markets.

Advancing biodiversity disclosure and closing the data gap

The UN Biodiversity Conference (COP15) NEI attended in late 2022 saw the adoption of a new set of international goals. They will act as a springboard for further policy interventions in the area of biodiversity, a topic that is quickly becoming a priority for investors and companies alike. We will offer support for these developments where it makes sense for us, while continuing to advance existing initiatives.

The TNFD will be releasing a final draft of its disclosure framework in early 2023, paving the way for a global standard to guide companies and investors striving to assess their impacts and dependencies on biodiversity. We intend to provide feedback through the consultation process and through our involvement with the TNFD Forum, while also starting to socialize the framework with our portfolio companies. The Global Reporting Initiative (GRI) has also begun consulting on its proposed framework for biodiversity-related disclosure, and we have shared our perspective with an eye to ensuring it aligns with the work of the TNFD.

A key challenge for investors looking to understand their exposure to biodiversity-related risks is the lack of quality data, something the TNFD and GRI consultations are meant to address. However, there are other opportunities to improve data availability. In 2022, as part of the Finance Sector Deforestation Action, we supported the efforts of other investors in engaging major ESG data providers to clarify the investor need for commodity-driven deforestation data in particular. The collaborative intends to continue these conversations in 2023.

Inequality: progress, but more to be done

Mandatory DEI disclosure has led to demonstrable gains in board diversity in Canada, and we will look to build on the current momentum by collaborating with other investors in engagements with regulators and governments on the need for further enhancements. The investor voice has been a critical enabler of regulatory ambition and is a significant reason underpinning improved corporate DEI performance. However, despite the gains of the last four or five years, progress continues to be slower than we would like, particularly regarding diversity beyond gender.

We have been exploring what policy levers we can pull to address the systemic challenges of inequality, which will continue to be a focus this year. Recognizing there is an absence of useful corporate data on this topic, we have been supporting the development of the Taskforce on Inequality-related Financial Disclosures, and were involved in the early consultations for requirements for the terms of reference for its technical working group. We expect to support this important work while continuing to seek other opportunities to inform policymakers of the investor case for addressing inequality.

WHAT IS ACTIVE OWNERSHIP?

Active ownership is employed by investors who want to influence corporate strategy and guide companies toward sustainable value creation. It is an umbrella term that covers three main activities: corporate dialogue, proxy voting, and shareholder proposals.

Corporate dialogue

NEI pioneered the concept of holding direct dialogues with company management, often in alignment with other investors, to address specific concerns, improve ESG performance, and advance our ESG objectives. Always conducted in the spirit of collaboration with the goal of improving the investment potential of companies, dialogues can take many forms, including letters, emails, phone calls, and face-to-face meetings.

Proxy voting

NEI aims to vote every proxy for every company in our funds based on our publicly available voting guidelines and country-specific best practices. Proxy voting topics can include board member elections, pay packages, shareholder proposals, mergers, and other corporate matters. Of the three activities covered here, proxy voting is the most accessible to shareholders and should be considered a core duty of all responsible investors.

Shareholder proposals

When corporate dialogue and proxy voting is not enough to alter the course of management on serious issues, NEI may file a shareholder proposal, often in collaboration with other investors. A shareholder proposal, also called a shareholder resolution, is a non-binding resolution filed for a vote at a company's annual general meeting that encourages management to take a specific action.

LEADERSHIP IN CORPORATE ENGAGEMENT

NEI has been committed to responsible investing for more than 35 years.

It's how we help our clients achieve their financial goals, while at the same time improving society and the environment. It's how we reduce investment risk and identify opportunities.

It's how we make an impact.

PRI Principles for Responsible Investment

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

SUSTAINABLE DEVELOPMENT GOALS

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Talk to your advisor today about how responsible investment solutions from NEI can help you achieve your goals.

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