



Vancity Investment Management
Shareholder Engagement Report for 2019 – Q1 2020

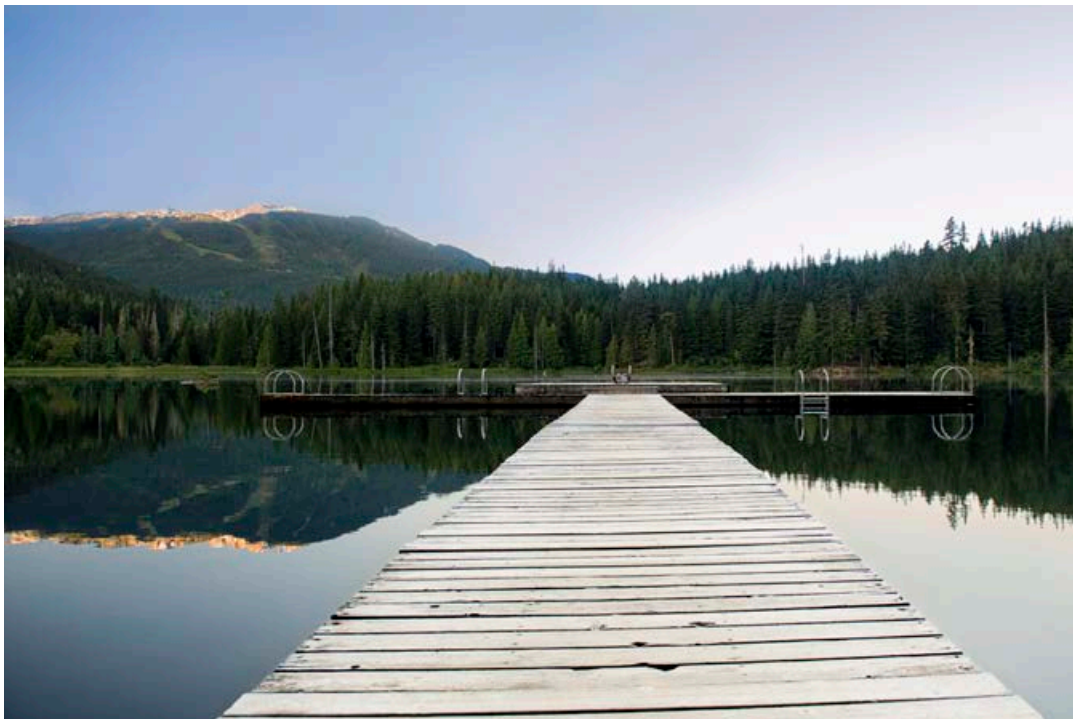
VCIM philosophy

Vancity Investment Management's (VCIM) core philosophy is founded on the premise that a company's long-term financial success depends on the ability to cultivate and maintain positive relationships with key stakeholders. Each stakeholder directly influences the company's financial sustainability: Investors are the source of capital. Customers and clients purchase goods and services. Employees supply labour, skills and talent. Communities authorize commerce within a local environment. The relationship with each stakeholder affects the company's ability to raise money, generate revenue, earn a profit, maintain operations and create value.

Companies are better positioned to achieve sustainable growth and preserve shareholder value when they balance the needs and expectations of stakeholders. A comprehensive understanding of environmental, social, governance (ESG) and financial risk, impacts and opportunities is essential for companies to successfully meet competing interests and expectations.

Before investing, VCIM assesses company-specific policies, performance and practices with respect to the environment, social responsibility and corporate governance. A thorough ESG review is combined with rigorous financial analysis to determine whether the company's securities are appropriate for the funds managed on behalf of investors.

Once an investment is made, company ESG performance is monitored and, when new risks arise or current practices deteriorate, VCIM uses the tools of shareholder engagement to urge management to take action. Over the last decade VCIM has filed 69 shareholder proposals and engaged with companies 223 times to encourage appropriate steps on issues related to environmental performance, social responsibility and corporate governance.



Engagement over 2019 and Q1 2020

2019 marked a milestone for VCIM as we completed our Climate Risk Strategy transition to a fully fossil fuel free mandate by divesting of oil and gas producers, pipeline companies, natural gas distribution utilities and LNG operations. Conversely, during the first quarter of 2020 the global COVID-19 pandemic changed the world overnight and forced every individual, business, and government to rethink how we live and do business. The resulting market volatility reinforced VCIM's strategy that social and environmental problems are financial risks that need to be managed. VCIM's engagement strategy is a key component of our risk management framework.

Over 2019 and Q1 2020 VCIM engaged 32 companies in one or more of ten key areas: employee health and safety, mining safety, gender pay equity, pesticides, anti-microbial resistance, access to medicine, human rights in digital technology and the supply chain, water use, consumer packaging, and climate change. VCIM filed 13 shareholder resolutions which were ultimately withdrawn following focused discussions and commitments made by key decision-makers from each company.

In addition to engaging companies held in the funds, VCIM participated in collaborative engagements with other investors in several areas including access to medicine, anti-microbial resistance, mining safety, carbon emissions and water use associated with animal protein supply chains, pesticide use and reduction for safer chemicals management, and safety conditions at clothing manufacturing plants.

2019 VCIM engagement activities

32 companies engaged


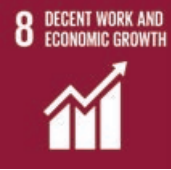






13 shareholder resolutions filed







10 UN SDG goals advanced via engagement activities





6 investor statements of support, alliances or initiatives joined

SUSTAINABLE DEVELOPMENT GOALS



Engagement focus	Overview of engagement	Engaged with	Advancing impact UN SDG
Employee health and safety	The issue of paid sick leave is at the forefront of the COVID-19 discussion and companies that are not addressing employee health and safety face significant reputational risks. For social distancing, self-isolation and quarantine measures to work, employees need incentives to stay home when they are either sick or at risk of carrying the virus. Without paid sick leave, employees are more likely to ignore mild symptoms or self-isolation protocols and risk increasing the spread of the virus. VCIM engaged Restaurant Brands International, owner of Tim Hortons, Burger King and Popeyes, to encourage the company to ensure all employees have access to paid sick leave.	Restaurant Brands International	 
Anti-microbial resistance	Anti-microbial resistance (AMR) is an emerging ESG risk threatening the stability of health care systems worldwide. AMR occurs when bacteria and other disease-causing microbes develop resistance to previously effective drugs. As a result of AMR, antibiotics may no longer work to treat infections. As part of the Farm Animal Investment Risk and Return (FAIRR) initiative, VCIM participated in a collaborative engagement with 20 global food companies asking them to establish antibiotics policies and to phase out routine, prophylactic antibiotic use across all supply chains with clear targets and timelines for implementation.	Restaurant Brands International	
Access to medicine	<p>An estimated 2 billion people in low- and middle-income countries have no access to essential medicines¹.</p> <p>VCIM is a signatory to the Access to Medicine Foundation (ATMF), an independent non-profit organization focused on stimulating and guiding pharmaceutical companies to do more for people who live in low- and middle-income countries.</p> <p>VCIM filed a shareholder resolution with Gilead Sciences requesting the company undertake a review of gaps in the provision of equitable access to HIV/AIDS drugs that can prevent infection in HIV-negative individuals and to identify and eliminate financial and other barriers to access.</p>	Gilead Sciences	 
Climate risk: project financing	The financing of Arctic oil and gas exploration projects present serious climate risks. The Arctic is warming at double the rate of the rest of the globe and is expected to face severe ecological disruptions. Financial Institutions funding these projects are exposed to material environmental, reputational and stranded asset risks. VCIM filed shareholder resolutions with Scotiabank and TD asking the board to review the feasibility of establishing a moratorium on Arctic oil and gas financing.	Scotiabank TD	  

Climate risk: disclosure	Improved climate disclosures highlight the climate risks companies are exposed to and provide investors with better information to make decisions. VCIM supports the Taskforce on Climate-related Financial Disclosure (TCFD) and the Carbon Disclosure Project (CDP) and engages companies in our portfolios with insufficient climate disclosures to increase their reporting and transparency on climate risk and performance.	Dream Industrial REIT Boralex Brookfield Infrastructure Chartwell REIT Colliers International Genworth Financial New Flyer Group Riocan REIT Onex Corporation	
Climate risk: agriculture and water use	Livestock production is resource intensive with large quantities of water and energy required to maintain operations. VCIM has joined the Farm Animal Investment Risk and Return (FAIRR) Building Sustainable Proteins Engagement. This engagement has asked food companies to publicly disclose information on their intention and long-term approach to transitioning protein portfolios towards lower impact and more sustainable sources that include plant-based and/or alternative proteins and support a dietary transition in line with a 1.5 degree world.	Loblaws Inc. Saputo Inc.	  
Plastics and the circular economy: consumer packaging	It is believed that approximately 50% of plastic is used once and thrown away. Consumer packaging waste is a big contributor to the amount of plastic found in the world's oceans. The expansion of fast service restaurants with disposable food packaging is becoming a serious concern. VCIM engaged with Starbucks on how the company is addressing the use of plastics in its operations.	Starbucks Corporation	
Plastics and the circular economy: recycling	It is estimated that only 9% of plastic containers and packaging made since the 1950's has been recycled. North American recycling infrastructures are under further stress due to a collapsed system which until recently had relied on exporting recyclables to China. There is a tremendous opportunity to improve waste management recycling practices and move toward a circular economy. VCIM filed a shareholder resolution with Waste Connections, to set measurable targets to increase recycling and composting in their operations.	Waste Connections	

Pesticides and chemical management	Glyphosate-based products, such as Roundup, have become one of the most widely used herbicides globally. The prevalence of glyphosate-based herbicides in the environment has led to increased scrutiny of potential impacts on both human health and ecosystem functioning. VCIM engaged companies in our portfolios on their use of glyphosate-based products and risk management strategies.	Home Depot CVS Canadian Tire CN Rail CP Rail	
Mining safety and tailings dams	There are heightened ESG risks associated with mining operations as accidents can have severe consequences for both people and the environment. Tailings are byproducts from mining operations that generally do not have economic value and can contain toxic compounds. VCIM has joined the Investor Initiative on Mining and Tailings Safety which aims to gather information from mining companies on their tailings dam management and encourage best management practices. VCIM engaged companies in our portfolio to report the information requested by the initiative and discussed tailings dam management.	Nutrien Agnico-Eagle Lundin Mining	
Gender pay equity	The gender pay gap contributes to women's poverty, acts as a barrier to women's full economic participation, and reduces global economic growth. VCIM asked financial companies this year to measure, disclose and address any gaps in compensation for women.	Royal Bank CIBC Manulife Sunlife	
Human rights	<p>Digital technology practices present increasing human rights risks through digital surveillance, collection of personal user data, and user-targeted content. VCIM joined a collaborative investor engagement asking Alphabet Inc. to establish a Board level human rights risk oversight and assess how the company manages the impacts of its products and services on human rights.</p> <p>Since the Rana Plaza Tragedy in 2013, VCIM has been actively involved in efforts to encourage and sustain efforts to protect Supply Chain Workers Rights in Bangladesh. This past year we supported the efforts of the Accord on Fire and Building Safety in Bangladesh, which expired in 2018, by calling on the Bangladesh government to extend the accord and participated in dialogue with the Canadian High Commissioner in Bangladesh.</p>	<p>Alphabet Inc.</p> <p>Government of Bangladesh Bangladesh Garment Manufacturers and Exporters Association (BGMEA)</p>	

VCIM engagement in-depth



Employee health and safety: COVID-19

The COVID-19 global outbreak forced companies to restructure their business operations in a matter of weeks and in some cases days. Companies had to reimagine how they would continue to operate while prioritizing the health and safety of employees, customers and community members.

From VCIM's ESG perspective, how companies managed the health and safety of stakeholders became an urgent priority. Essential businesses had to remain operational while ensuring the protection of employees and customers from the virus. Businesses that were forced to lockdown had to pivot to virtual models and consider the financial impacts on employees that were no longer required for work or furloughed.

Particularly vulnerable employees were those working in temporary, contract, and gig worker type occupations and employees without paid sick leave benefits. For social distancing, self-isolation and quarantine measures to work, employees required incentives to stay home while sick or at risk of carrying the virus. Without paid sick leave, employees were more likely to ignore mild symptoms or self-isolation protocols and risk increasing the spread of the virus.

Over the first quarter of 2020, ESG leaders stepped up through policy changes in response to the pandemic, in many cases moving faster and earlier than required by government directive. Actions in response included implementation of paid sick leave where none was originally available, commitments to continue to pay employees despite reduced staffing needs, and funds created to support temporary and contract workers through the crisis. Where companies demonstrated inappropriate, or lack of response, VCIM used our rights as shareholder to engage those companies to take action.

VCIM engaged Restaurant Brands International (RBI) to understand how the company was supporting employees in corporate and franchise locations with access to paid sick leave. In an open letter to all stakeholders, the company detailed a COVID-19 pandemic response outlining plans to support employees with a CAD \$40M support fund, paid sick leave, and financial support programs for restaurant owners in order to sustain their businesses through the crisis.



Anti-microbial resistance (AMR)

As the COVID-19 pandemic develops, VCIM continues to engage companies on agricultural practices that can contribute to the development of novel infectious diseases. While wet markets in Asia have become infamous in the emergence of novel viruses, factory farms and poor agricultural practices in Western nations face similar concerns. For these reason, VCIM has focused our engagement work on improving agricultural practices throughout retail food supply chains by addressing Anti-Microbial Resistance (AMR).

AMR is an emerging ESG risk threatening the stability of health care systems worldwide. AMR occurs when bacteria and other disease-causing microbes develop resistance to previously



effective drugs. In the US, the Centers for Disease Control (CDC) estimates that AMR causes at least 2.8 million illnesses and over 35,000 deaths annually. As a result of AMR, antibiotics may no longer work to treat infections.

A wide range of medical procedures rely on effective antibiotic treatments including organ transplants, chemotherapy, and dialysis for end-stage renal disease. Antibiotic, antifungal, antiviral and anti-parasitic medications form the backbone of modern medicine, highlighting the urgency facing the health care community in addressing AMR. The need for action on the issue of AMR is recognized by the United Nations, World Health Organization (WHO), and national authorities such as the Centers for Disease Control (CDC).

The development of AMR occurs across multiple avenues including improper patient usage, pharmaceutical runoff and agricultural uses. The use of antibiotics for growth promotion and disease prevention in livestock is of concern to regulators and consumers. According to the US Food and Drug Administration, 70% of antibiotics prescribed in the US are used in animals. The sub-therapeutic doses used for disease prevention and growth promotion are more likely to result in the development of resistance than a shorter high dose therapeutic course. Increased presence of AMR in the food supply directly threatens human health as diseases caused by resistant bacteria tend to be more severe and have fewer treatment options. As AMR becomes more prevalent antibiotics could be rendered ineffective and medical procedures, such as some forms of chemotherapy and dialysis that rely on antibiotics, may no longer be possible.

VCIM is a signatory to FAIRR (Farm Animal Investment Risk and Return), an investor initiative addressing material ESG risks and opportunities caused by intensive livestock production. As part of this initiative, VCIM participated in a collaborative engagement with 20 global food companies asking them to establish antibiotics policies and to phase out routine, prophylactic antibiotic use across all supply chains with clear targets and timelines for implementation. The focus is on antibiotics that have been defined by the WHO as critically important antimicrobials for human medicine.

Following this engagement, Restaurant Brands International (RBI), owner of Tim Hortons, Burger King and Popeyes, made commitments to map antibiotic use throughout beef supply chains. This will enable the company to set targets by the end of 2020 to eliminate antibiotic use in all three brand's beef supply chains. As of 2018, Burger King and Tim Hortons have eliminated the use of medically important antibiotics in poultry supply chains. Popeyes was a later acquisition so the company is working on quantifying and understanding antibiotics use in Popeyes' poultry supply chain. Once this is complete by the end of 2020, RBI has committed to setting specific targets to eliminate antibiotic use in Popeyes' poultry supply chains as well.



Access to medicine

Access to medicine is a pressing issue as countries around the world work to address the COVID-19 pandemic. When COVID-19 treatments and vaccines are developed, they must be made available universally regardless of ability to pay. Similar to the fight against HIV/AIDS, equitable access to vaccines, treatments and care protocols is a social and health necessity.

Affordable access to healthcare is fundamental to human growth and development. Medical breakthroughs in the 20th century have bolstered much of the economic development witnessed over this period. Before the polio vaccine, children were regularly





paralyzed by the disease. Without medical treatment measles would infect more than 3 million in the U.S. annually with death rates of up to 5%². Before the invention of antibiotics, a simple cut could lead to a bacterial infection and sepsis, killing otherwise young and healthy adults. Noncommunicable diseases, such as diabetes, hypertension, and cancer, are more prevalent today and can lead to the same lost productivity. Poor levels of health are associated with lower savings rates, lower rates of return on capital and lower levels of domestic and foreign investment³, all factors that can and do lead to

reductions in economic growth. This doesn't even account for the suffering and misery that disease inflict on individuals and the emotional and mental impacts of losing loved ones.

An estimated 2 billion people in low- and middle-income countries have no access to essential medicines⁴. In developed countries, particularly the United States, lack of health insurance combined with high drug costs can prevent low income populations from accessing available medicines. VCIM has been involved in engagement efforts addressing both access to medicine issues.

VCIM is a signatory to the Access to Medicine Foundation (ATMF), an independent non-profit organization focused on stimulating and guiding pharmaceutical companies to do more for people who live in low- and middle-income countries. The Foundation publishes the Access to Medicine Index every 2 years outlining where pharmaceutical companies are succeeding and where the companies can improve. Following the last report, VCIM has supported ATMF in engagement with pharmaceutical companies on the identified areas for improvement. These conversations are ongoing through 2019 and 2020.

There isn't a country that hasn't been impacted by the HIV/AIDS epidemic. An HIV/AIDS diagnosis has gone from being a death sentence as recently as the 1990s to a treatable long-term condition. There are now simple treatments for the disease that keep the virus in check, prevent transmission to others, and can prevent individuals from becoming infected. The drug Truvada can prevent infection in HIV-negative individuals and is commonly referred to as PrEP for Pre-Exposure Prophylaxis. PrEP is considered key to stopping the spread of HIV/AIDS and to achieving the goal of eliminating new HIV infections. Truvada for PrEP is the only preventative medication currently widely available and is produced by Gilead Sciences. Descovy, another Gilead drug, has recently been approved for PrEP but not in all populations – notably it has not been tested or approved for use in cisgender women.

Stopping the transmission of the HIV/AIDS virus is a priority for several governments and organizations. The Joint United Nations Programme on HIV/AIDS (UNAIDS) launched the 90-90-90 AIDS goals to diagnose, treat and achieve viral suppression in over 90% of people living with HIV/AIDS. The UN's Sustainable Development Goal 3: Good Health and Well-being emphasizes reducing the number of new infections per 1000 uninfected population. The U.S. President's Emergency Plan for AIDS Relief (PEPFAR) states that the US will help eliminate new HIV infections globally by 2030, aiming for a 90% reduction. Ending the HIV Epidemic: A Plan for America has similar goals specific to the United States.

VCIM filed a shareholder resolution with Gilead Sciences requesting the company undertake a review of gaps in the provision of equitable access to PrEP for HIV/AIDS prevention and to identify and eliminate financial and other barriers to access. This led to in-depth discussions with the company on their efforts to improve access to PrEP both within the US and globally. Gilead outlined the different initiatives the company has undertaken to reduce financial and other barriers to access. Gilead will continue scaling up programs like the company's Compass Initiative that is focusing on access in the U.S. southeastern states and the company's participation in the Medicines Patent Pool (MPP). MPP is a program that provides access to patented drugs to populations in low- and middle-income countries at affordable prices. Following these discussions, VCIM withdrew the shareholder resolution.

Climate risks

Climate change caused by greenhouse gas emissions from anthropogenic activities is a pressing concern. The impacts of climate change are expected to be widespread and include increased storm intensity and flooding, longer and more severe wildfire seasons, and human health impacts due to heat and increased disease outbreaks. The emerging coronavirus pandemic lends credence to the importance of addressing climate change risks. If we don't invest in reducing emissions and building resiliencies, we will be facing more global crises that have the potential to disrupt supply chains and harm economic development as the coronavirus pandemic has done.



According to the Intergovernmental Panel on Climate Change (IPCC), to limit the worst impacts of climate change, we need carbon emissions to fall by 45% from 2010 levels by 2030 and reach 'net zero' by 2050. Approximately one third of oil reserves and half of natural gas reserves will have to remain unused between 2010 and 2050 in order to hold global warming at 2 degrees⁵.

To encourage action in the private sector, the Task Force on Climate-Related Financial Disclosure (TCFD), was established in 2015 by the Financial Stability Board, a creation of the G20 Finance Ministers and Central Bank Governors. The TCFD released a series of recommendations on how companies can provide better, more relevant information on climate risks to investors. The TCFD found that climate risks could become financial risks through:

- changes in government policy,
- legal and litigation risks,
- development of new technology,
- market demand,
- and reputational risks.

The TCFD has called for regulators and companies to develop a consistent framework for disclosing financial data related to climate change. VCIM recognizes the importance of these risks to the Canadian market and is committed to supporting the TCFD recommendations.



Climate risk strategy – going fossil fuel free

VCIM believes we have reached a crucial point in the transition to a low carbon future. In September 2019, VCIM divested of oil and gas companies across our product portfolio completing our transition to a fully fossil fuel free mandate.

To manage climate risk, VCIM has implemented a four-part Climate Risk Strategy – Divestment, Decarbonization, Reinvestment, Engagement – that has seen us eliminate our direct exposure to fossil fuel companies and increase our exposure to companies involved in activities that address climate change.

We began by divesting fossil fuel producers and related companies from the Global mandates. At the same time we excluded heavy oil producers from the Canadian and Monthly Income mandates. When we launched the Bond fund in December 2016, we excluded all fossil fuel companies as of the first day of operations. In addition to exclusion we made significant investments in the renewable energy industry and the companies who support green technology. For the bond fund, certified Green bonds whose proceeds are directed to green infrastructure and energy efficiency, comprise a sizable portion of the assets we manage. In Q3 2019, we divested the Canadian and Monthly Income mandates' residual exposure to oil and gas companies.

All sectors of the economy and the market will be impacted by climate change, but the most vulnerable will be fossil fuel producers and distributors and the service companies dependent on those industries. In addition to the downside risk of a declining industrial sector, as the global economy de-carbonizes, oil price volatility will likely increase due to producers seeking to maximize revenue from potentially stranded assets. National oil companies, who control much of the world's petroleum and exercise pricing power, are a major source of revenue for governments and provide key budgetary support. As a result, these government owned enterprises are likely to continue playing a role in price decline and volatility as they seek to maintain market share. In addition, as carbon pricing regimes develop across the globe, heavier petroleum products which require more energy to process will be less competitive in the international market. Western Canada Select, the primary oil sands product is among the world's most carbon intensive oil products on a full life cycle basis.



We continue to pursue opportunities in alternative energy technology and climate solutions and to use our carbon foot-printing tools to manage the overall climate risk of the portfolios. This allows us to target corporate engagement towards companies such as banks, insurance and asset management companies who may remain exposed to risks from the fossil fuel industry. We believe this is a prudent evolution of our climate risk strategy and will help Canadian investors minimize the economic impact of the fossil fuel industry on their investments and retirement savings.



Climate engagement: climate disclosure

In 2019, VCIM engaged Dream Industrial REIT, Boralex, Brookfield Infrastructure, Chartwell REIT, Colliers, Genworth, New Flyer, Riocan and Onex to improve climate disclosures.

In engaging Dream Industrial REIT, VCIM partnered with Vert Asset Management, an investment manager focused on investing in real estate companies that are sustainability leaders. We requested the Dream Group of companies, including Dream Industrial REIT, increase disclosure on climate risks in line with the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations. This will help highlight the climate risks the company faces and provide investors with better information to make decisions.

The remaining companies were asked to provide climate risk disclosure through the Carbon Disclosure Project (CDP). The CDP is the world's largest investor led initiative supported by 515 investment managers and asset owners responsible for US\$106 trillion in assets. The CDP runs a global environmental disclosure system to help companies, cities, states and regions to measure and manage climate risks and opportunities. This questionnaire is now aligned with the TCFD recommendations and provides a useful framework for companies and investors looking to identify and manage climate risks and opportunities.



Climate engagement: Arctic oil and gas project financing

The Arctic is warming at double the rate of the rest of the globe and is expected to face severe ecological disruptions. Sea ice coverage has already declined by 40% since 1979 and without changes, the Arctic is expected to be ice free in the summer by 2030⁶. These changes are already impacting animal populations such as polar bears that require sea ice to mate and hunt. Also impacted are human populations in the area who rely on ice roads in the winter to bring yearly supplies into communities that are fly-in only the remainder of the year.



In 2016, both Canada and the US implemented a five-year moratorium on new offshore oil and gas drilling and exploration in the Arctic. In recent years, the current US administration has been working to reverse the moratorium and issue leases for oil and gas exploration within the Arctic National Wildlife Refuge. This has led to increased interest in oil and gas exploration in the Arctic.

The financing of these projects is of serious concern. Financial Institutions funding these projects are exposed to material environmental, reputational and stranded asset risks. As seen in the Dakota Access Pipeline controversy, controversial oil and gas projects do not only impact the project companies but also the financial institutions that finance them. Considering concerns related to oil and gas exploration in the Arctic, several large financial institutions have restricted or banned project finance for Arctic oil and gas exploration.

VCIM filed shareholder resolutions with both Scotiabank and TD asking the board to review the feasibility of a moratorium on Arctic oil and gas financing. After in-depth and productive discussions with both companies, Scotiabank and TD agreed to present the resolution to their respective boards and ensure the board is informed of the heightened risks associated with the financing of Arctic oil and drilling projects. Both companies have committed to reporting back to VCIM on these discussions and continuing the dialogue on climate risk.



Climate engagement: agriculture and water use in a changing climate

According to the UN World Water Development Report 2019, global water demand is expected to increase by 20-30% by 2050. Two billion people already live in countries experiencing high water stress. It is estimated that if degradation of the natural environment continues along with increased water demand, 52% of the world's population and 40% of global grain production will be at risk by 2050. Over 70% of the globe's freshwater is used to grow crops, feed livestock and process ingredients⁷.

Many climate change impacts will be felt primarily through water. Climate change is likely to lead to heavier precipitation events and longer periods of drought. Dry areas are expected to become drier and wet areas are expected to become wetter. This will exacerbate water shortages that have plagued many parts of the world. The fires ravaging Australia at the end of 2019 are a result of what may be the most severe drought in 800 years⁸. Many towns in Australia are relying on water shipments and agricultural production has been curtailed across wide swaths of land. In the Southwestern USA, prolonged droughts are becoming the norm. This is exacerbating land subsidence as farmers pump groundwater at unsustainable rates to make up for declining rainfall and surface supplies, which in turn are not available to recharge groundwater aquifers. On the other side of the continent, states bordering the Mississippi River have seen severe damage from record flooding in 2019 where record-breaking rains destroyed 250,000 acres of farmland in 2019⁹.

Livestock production is resource intensive with large quantities of water and energy required to maintain operations. The livestock sector accounts for 14.5% of total greenhouse gas emissions¹⁰. It is often tied to deforestation as seen in Brazil where vast stretches of the Amazon are cleared to make way for grazing pasture. Approximately 1800 to 2500 gallons of water are required to produce 1 pound of beef¹¹.



To help stem the worst impacts of climate change, we need to reevaluate our protein sources. Protein is vital to human development. Without it, severe health problems can follow including muscle wasting and liver failure. The necessity of protein for optimal health combined with the environmental impacts of animal agriculture, means that there is a great need to develop additional and improved proteins from plant products. This is where global food retailers and brand manufacturers can play a big role in developing and marketing these alternative proteins.

To encourage companies to examine this risk and increase their offerings of alternative proteins, VCIM has joined the Farm Animal Investment Risk and Return (FAIRR)'s Building Sustainable Proteins Engagement. This engagement has asked food companies to publicly disclose information on their intention and long-term approach to transitioning protein portfolios towards lower impact and more sustainable sources that include plant-based and/or alternative proteins to support a dietary transition in line with a 1.5 degree world. VCIM led dialogues with Loblaw's and Saputo on the need to diversify protein sources as part of a comprehensive climate risk strategy. Loblaw's has been developing protein alternatives, including cricket powder, and has been stocking alternative proteins near animal proteins on shelves to increase awareness of this offering amongst consumers. Saputo is looking to increase co-packing of alternative milks such as almond and soy.

VCIM has also joined Ceres Investor Water Hub to keep up to date on best practices in water management. These learnings are applied to our engagements with companies on this issue. VCIM has joined the Global Investor Engagement on Meat Sourcing led by FAIRR and Ceres to encourage retail food service companies to implement policies and quantitative, time bound targets to reduce carbon emissions and water use associated with animal protein supply chains. Restaurant Brands International (RBI) was engaged as part of this initiative.

Plastics and the circular economy

Plastics engagement: consumer packaging

Since the introduction in the 1950's of plastics in consumer goods, plastic use has grown exponentially. The development of plastics revolutionized modern society and enabled increased living standards throughout the world. Plastics are used in everything from single use medical supplies that increase hygiene and reduce disease, to food packaging that helps prevent spoilage and reduces food waste. What has become apparent in recent years is the lack of proper recycling systems to ensure that materials from plastics are recovered and do not contaminate the natural environment. While plastics have many benefits, these will only be realized in full if the plastic waste issue is addressed. The need to move from a linear model where plastic and packaging become waste that either pollutes our oceans or fills landfills to a circular model where materials are recovered and reused is required.

While estimates vary, it is believed that approximately 50% of plastic is used once and thrown away.



Consumer packaging waste is a big contributor to the amount of plastic found in the world's oceans, including the infamous Pacific garbage patch, a large area of marine debris made up of tiny plastic pieces called microplastics. The "Eastern Pacific garbage patch" is estimated to be double the size of Texas while the "Southern Pacific garbage patch" is estimated to be the size of Mexico.

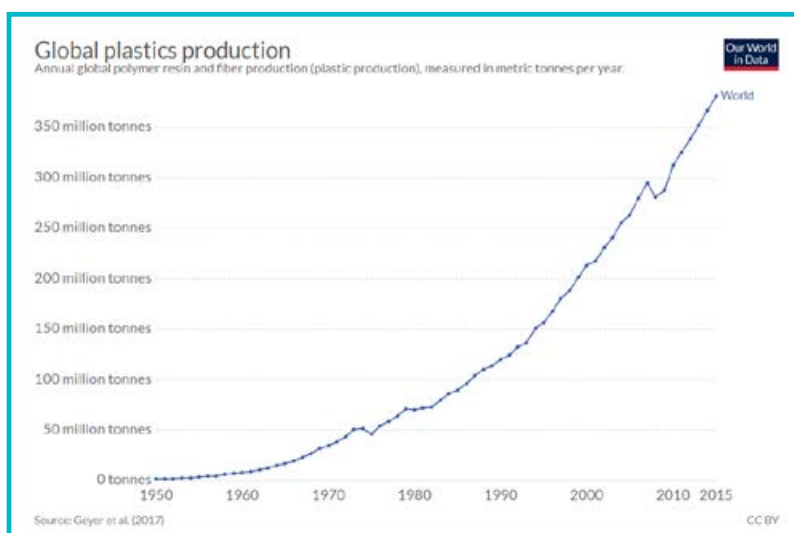
Five countries in Asia – China, Thailand, Indonesia, Vietnam and the Philippines – are believed to dump more plastic

into the ocean each year than the rest of the world. This is largely a result of inefficient disposal systems in these countries combined with the import of North American and European recyclable material.

The expansion of fast service restaurants with disposable food packaging is exacerbating the issue. Many corporations are expanding rapidly into Asia where waste disposal systems are inefficient, and plastics often escape into and contaminate the natural environment.

Starbucks, the global coffee retailer, operates 3,300 stores in China with plans to nearly double by 2022 opening a new store every 15 hours. While the company has comprehensive programs in North America and Europe for managing waste generated from operations, there have been concerns about the waste impacts of the company's expansion into Asian markets.

VCIM engaged Starbucks on how the company is addressing the use of plastics in its operations. For the Starbucks 2020 annual shareholder meeting, VCIM co-filed a resolution with As You Sow and Edwards Mother Earth Foundation requesting the company prepare a report on initiatives to increase the scale and pace of its sustainable packaging initiatives worldwide.



Following recent discussions and previous engagement, Starbucks has adopted global waste reduction goals to reduce waste to landfill by 50%. To achieve these reductions in the next 10 years, the company will have to improve the recyclability of products and improve the waste management systems in the areas Starbucks operates. The company has committed several resources to achieve these outcomes and has agreed to continue dialogue on the issue. In response, VCIM withdrew the shareholder resolution.



Circular economy engagement: recycling and waste management

The North American waste management industry presents concerns due to insufficient infrastructures to manage recyclables. Much of North America's recycling infrastructure developed over decades relied on selling recyclable materials to China. This system has collapsed with the implementation of China's National Sword policy, which effectively banned the import of recyclables into China. As a result, deficiencies in recycling infrastructure within the exporting nations has become evident.

Plastic containers and packaging are especially problematic in waste management due to their increasing use. According to Trash in America, a US Public Interest Research Group report, while more than 25% of US municipal garbage is compostable organic material and over half is reusable or recyclable, only 9% of plastics made since the 1950s have been recycled. As such, there is a tremendous opportunity to improve waste management recycling practices and move toward a circular economy to minimize waste.



VCIM filed a shareholder resolution with Waste Connections, a waste management company with operations in North America, asking the company to set measurable targets to increase recycling and composting in their operations. Company management disclosed progress and plans to set recycling targets once in-progress data and research gathering is complete. These initiatives will ensure the company has the necessary systems in place to achieve its recycling goals and reduce the amount of materials being sent to landfills. Following these commitments, VCIM withdrew its proposal.



Pesticides and chemical management

Silent Spring, published by Rachel Carson in 1962, is widely credited with launching the environmental movement and alerting the public to the harm that chemicals were causing to natural systems. The book highlighted the disastrous impacts of DDT¹² and other pesticides on environmental systems that support life. While progress has been made to eliminate particularly harmful chemicals such as DDT and other organochlorines, there are still several pesticides in use with known harmful effects. Chlorpyrifos is a known neurotoxin in children but still widely used on farms in the USA. Neonicotinoids are ubiquitous in modern day agriculture and have been tied to declines in pollinators that are vital to ecosystem health and food production. Glyphosate, more commonly known as Roundup, has previously been advertised as harmless to humans and the environment however, recent studies and mounting evidence indicate Roundup is harmful in soil water runoff and to people who are regularly exposed to large doses such as gardeners and farmers.

VCIM's engagement in chemical and pesticide management focused on two areas: The first area is overall pesticide and chemical management by retailers and railways. The second area is a focus on glyphosate use due to recent developments and legal issues.



Since their introduction in the 1970s, glyphosate-based products, such as Roundup, have become one of the most widely used herbicides globally. The herbicides have gained traction with the development of glyphosate resistant Genetically Modified Organism (GMO) crops that can withstand application of the chemicals directly. The prevalence of glyphosate-based herbicides in the environment has led to increased scrutiny of potential impacts on both human health and ecosystem functioning. A recent study¹³ indicates a link between high levels of glyphosate exposure and cancer, particularly non-Hodgkin's lymphoma (NHL) and multiple

myeloma. A recent meta-analysis study found a 41% increase in the risk of non-Hodgkin's lymphoma for individuals in the highest glyphosate exposure group¹⁴. The World Health Organization's International Agency for Research on Cancer (IARC) hazard assessment determined in 2015 that glyphosate is likely carcinogenic to humans.

The IARC decision has been followed by legal action. Over 52,500 lawsuits have been filed against Roundup producer Monsanto claiming that the use of glyphosate-based products resulted in cancer. The company is facing a \$10 billion US dollar settlement after losing several trial cases with plaintiffs being awarded amounts ranging from \$78.5 million to \$2.055 billion.

While the EPA and other regulators have maintained glyphosate's approval, regulatory concerns have been raised. California requires the product to be labelled as potentially cancer causing. Public sentiment is moving against glyphosate use with groups such as Moms Across America advocating for retail stores to stop sales of glyphosate-based products.

While VCIM has excluded Bayer, owner of Monsanto, from the funds for poor ESG performance, VCIM is exposed to companies that sell and use glyphosate-based products. VCIM engaged with Home Depot, CVS Health and Canadian Tire on their sales of glyphosate-based products. While each company plans to continue to sell these products in compliance with government regulation, they have implemented controls including heightened warnings about the need for personal protective equipment when applying the product and locked display cases in stores.

VCIM also filed shareholder resolutions with CN Rail and CP Rail requesting increased disclosure on pesticide use on rail tracks. Railway rights of way are federally regulated, and rail companies are required to remove vegetation for safe train operations while minimizing impacts to humans and the surrounding environment. Following our engagement on this issue last year, we asked both rail companies to increase disclosure of how they are managing and mitigating these risks. Both companies have increased public disclosure of pesticide management practices and have provided the public with easily accessible channels to report concerns. CP has implemented best practice spraying technology that uses GPS and chlorophyll scanning to implement targeted spraying and minimize the amount applied. These systems incorporate weather data so glyphosate-based product spraying can be done with minimal drift into the surrounding environment. CN has implemented board oversight and is raising this issue with railway industry associations to help increase best practices across the industry.

On broader pesticide and chemical management, VCIM has joined the Investor Environmental Health Network's Initiative for Pesticide Use Reduction and Safer Chemicals Management. Through collaboration with this group, VCIM engaged 13 companies including 3 held in VCIM's portfolios: Costco, Amazon, and AVS. We encouraged these companies to implement the following:

- 1) Management strategy with policies and executive oversight.
- 2) Chemical inventory of the chemicals used in a company's products and supply chains.
- 3) Baseline data established through a chemical footprint process so that chemicals of high concern to human and environmental health can be tracked and substituted with safer alternatives; and
- 4) Public disclosure of implemented processes and outcomes.

Companies taking these actions demonstrate responsible chemical management. These are the first steps towards improving the chemical composition of pesticides and reducing harm to humans and the environment.



Mining safety and tailings dams

Mining is an essential sector, providing the fundamental materials that underpin our modern economy. Everything from refrigeration to preserve food to the technology that powers modern communication requires mined materials. The clean energy transition relies on several materials such as lithium for electric car batteries and cadmium for solar panels. There are heightened ESG risks associated with mining operations as accidents can have severe consequences for both people and the environment. Given the vital role mining plays in modern day society, it is important that safety is prioritized, and these risks are managed appropriately.

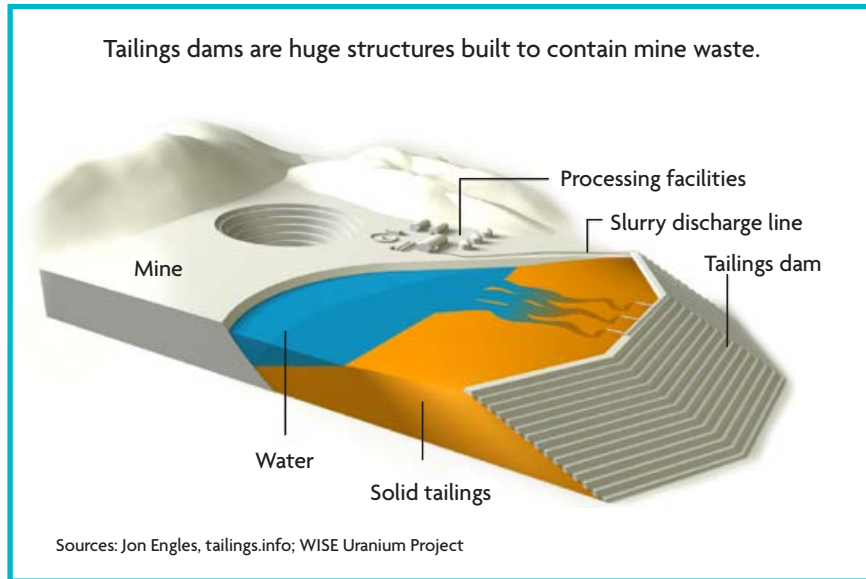


Whether mining a precious metal like gold or a fertilizer like phosphate, mining for most resources generates tailings. Tailings are byproducts from mining operations that generally do not have economic value and can contain toxic compounds. Even without hazardous components, the sheer volume of tailings to be disposed of can be significant. Tailings storage facilities are used to safely contain this material and are usually located near the mine itself. There are many types of tailings storage facilities, but upstream dams are often used and can pose risks. With an upstream dam, the tailings are maintained on the surface and reinforced by the material itself, see Diagram 1 on page 19. These dams require close monitoring to prevent leaks and ensure that water levels are kept in a safe range to prevent liquefaction. This is where solid materials behave like liquids and in the case of tailings dams, can lead to the complete collapse of the structure. When this occurs, people are often killed or displaced, and the surrounding water and land is usually irreparably contaminated.

In recent years, there have been several serious mine tailings dam failures that have raised concerns about mine tailings dam management.

The Mount Polley disaster in BC occurred when a dam breach led to the largest tailings failure that has ever occurred in Canada¹⁵. No one was killed or injured but the environmental harm was substantial and will impact the region for years to come.

Diagram 1



In 2015 and 2019, two serious mine tailings dam failures in the towns of Marianas and Brumadinho in the Minas region of Brazil, resulted in almost 300 deaths and catastrophic environmental impacts downstream of both mining sites.

According to the World Mine Tailings Failures (WMTF) organization, dam failures with serious consequences have increased in recent years and it is predicted that without changes, there could be a further 19 serious failures by 2027. Failures are hard to predict and monitor as there is no central database documenting where these structures are located and how they are being managed.

Climate change is expected to increase the number of extreme weather events worldwide, particularly high precipitation events. With heavy precipitation and water loading noted as the most common cause of tailings dam failures, improvements in tailings dam safety are urgently needed.

To address these risks, VCIIM has joined the Investor Initiative on Mining and Tailings Safety. This initiative aims to gather information from mining companies on their tailings dam management and encourage best management practices. A major goal of the initiative is to compile an inventory of tailings dams worldwide that will help investors and local communities monitor company risk and avoid further disasters.

VCIIM engaged with three mining companies held in the portfolios, Nutrien, Agnico-Eagle and Lundin Mining. We encouraged all three to report the information requested by the initiative and had discussions on tailings dam management. All three companies responded to the initiative following VCIIM's engagement efforts.



Promoting equity: gender pay gap

The difference in workplace compensation for women, compared to men, is known as the gender pay gap. Sometimes the gap is due to paying less to a woman doing the same job as a man, other times it is due to bias in recruiting women into higher paid positions. And in other cases, whole categories of work are historically done by women and that sector has been under paid in comparison to male dominated sectors. The impacts of COVID-19 may widen social inequity. Lower-wage jobs, occupied disproportionately by women, are more likely to disappear due to the economic downturn¹⁶. Recent research¹⁷ notes women returning to work after time off are likely to be compensated 7% less than other candidates, further magnifying gender pay discrepancies.

Statistics Canada estimates women earn 87 cents for every dollar earned by men. This gap widens for women who are indigenous, living with a disability, of color, or recent immigrants. *The Ontario Equal Pay Coalition* has found on average it takes women 15.5 months to earn what a man earns in 12. The World Economic Forum estimates that, if pay equity gap trends continue, it will take 99.5 years to achieve full gender equality globally. Further, research continues to demonstrate how the gender pay gap can have lifelong financial consequences, directly contributing to women's poverty, acting as a barrier to women's full economic participation and reducing global economic growth.

The Organization for Economic Co-operation and Development reports that addressing gender pay equity can increase economic growth, reduce poverty, enhance societal well-being, and progress sustainable development.

Global regulatory trends are moving towards greater disclosure requirements.

In the United Kingdom, gender pay gap reporting regulation was introduced in 2017. As a result, the financial sector was found to have the second highest gender pay gap in the UK. Canadian banks operating in the UK with 250 or more employees reported median gender pay gaps in the 40% range with women representing a majority of the lowest pay quartile and a minority of the highest pay. The financial sector is also found to have highest level of mid-career exit for women in comparison to other sectors¹⁸. Female managers, senior managers, and executives in financial services are 20 -30 percent more likely to leave their employer than peers in other industries. In Canada, consultations to consider public disclosure requirements as part of federal pay equity legislation are on-going, however, changing governments or priorities could deter this initiative.

Voluntary quantitative gender pay gap disclosure by companies would demonstrate best-in-class social responsibility and business and financial prudence. Emerging research on transparent gender pay gap reporting finds transparency does significantly lower the gender pay gap, increases promotion of women to more senior positions, and decreases operational costs¹⁹.

In 2019, VCIM filed shareholder resolutions with CIBC, RBC, Manulife and Sunlife calling on each company to provide quantitative gender pay gap disclosure. VCIM engaged in dialogue with all four companies on the issue. CIBC, RBC, and Manulife committed to quantitative gender pay gap disclosure in forthcoming public reporting and the shareholder resolutions were withdrawn. Sunlife committed to making a recommendation to the board of directors to provide quantitative disclosure and the shareholder resolution was subsequently withdrawn. As a result, these financial institutions are now in line with TD and Scotiabank whom reported on the gender pay gap for their Canadian operations after shareholder advocacy by VCIM in 2018.



Human rights

Human rights engagement: digital technology

The United Nations High Commissioner on Human Rights notes while digital technology delivers many benefits and is valuable for human rights and development, the digital revolution is also a major global human rights issue²⁰. Companies on the cutting edge of technology developments are also facing scrutiny for their human rights due diligence practices. Digital surveillance, collecting and sharing user information, and the use of algorithms to show user-targeted content via technological products and services pose significant human rights challenges.

Alphabet Inc. is noted for technological products and services that can transform how the world and its people operate. In response to COVID-19, the company, via its Google operations, partnered with Apple to launch contact tracing technology which allows authorities to notify users who have come into contact with a person who has tested positive for the virus. Contact tracing technology requires the collection of sensitive user data and has come under scrutiny for privacy concerns and human rights protections.

Alphabet is criticized for lacking an enterprise-wide human rights policy or board level human rights oversight. In the rapidly changing landscape of technology products and global data drivers, insufficient human rights frameworks are considered a significant governance weakness and exposes the company to human rights and privacy risks.

VCIM joined a collaborative investor engagement requesting Alphabet Inc. to establish a Human Rights

Risk Oversight Committee of the Board of Directors, composed of independent directors with relevant experience. The Committee should provide an ongoing review of corporate policies and practices, above and beyond legal and regulatory matters, to assess how Alphabet manages the current and potential impacts of the Company's products and services on human rights. The shareholder proposal was presented at the June 2020 Alphabet Annual General Meeting for voting²¹.



Human rights engagement: supply chain Bangladesh update

In May 2013, following the Rana Plaza tragedy which resulted in 1134 deaths and 2600 injuries, VCIM joined the Bangladesh Investor Initiative to promote greater safety for factory workers in the clothing industry. VCIM encouraged companies held in the funds to join the Accord on Fire and Building Safety in Bangladesh. The Accord set out inspection, mitigation, remediation and funding provisions covering supplier factories for 220 clothing brands and retailers. The Accord covered a five-year period ending in May 2018. Over that period, 150,000 safety issues were identified at 1700 factories and 90% were remediated.

Several companies and global unions have attempted to extend the Accord for a further three years to ensure adequate time to remediate problems and build confidence in the local inspection authority. Following a lawsuit filed by a factory whose contracts were terminated for falsifying concrete strength test results, the Bangladesh High Court issued a restraining order preventing the Accord from operating in Bangladesh after May 30, 2018. The court eventually lifted the restraining order and the Accord could operate for six more months while the Accord, the government, and the Bangladesh Garment Manufacturers and Exporters Associations (BGMEA) negotiated the future of the accord.

VCIM supported the Bangladesh Investor Initiative, along with a group of 190 global investors representing over \$US 3 trillion in assets under management, which called on the government of Bangladesh and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) to negotiate an agreement allowing the Accord for Fire and Building Safety in Bangladesh (Accord) to continue its work in the garment sector.

In May 2019, an understanding was reached between the Accord and the BGMEA with the endorsement of the Government of Bangladesh which led to the establishment of a national safety entity to be called the RMG Sustainability Council (RSC) which will take over all Accord Bangladesh operations and inherit the Accord's infrastructure and staff. This breakthrough ensures that progress made on factory safety in Bangladesh will continue. The Accord was given permission to continue to operate during a 12-month transition period.

The RSC will be governed by a body with representatives from the BGMEA, global brands and global and national trade unions in cooperation with the Government of Bangladesh. The RSC will continue with factory inspections, remediation, follow up inspections, worker training, and the independent grievance mechanism. All existing transparency features of the Accord will also be maintained, including full disclosure of all results of inspection and remediation activities on a public website.

Signatory and collaborative initiatives

VCIM believes responsible investment involves the act of supporting initiatives and organizations advancing positive global social and environmental impact. Collaborative and supportive work is a cornerstone of the responsible investment industry and in 2019 and Q1 2020, VCIM joined the following initiatives:

- VCIM became a member of the World Benchmarking Alliance, a global network comprised of public, private and civil society sectors supporting the measurement of corporate performance on the UN Sustainable Development Goals. VCIM participated in the 2019 roundtable discussion towards the development of the Gender Benchmark to be published September 2020.
- VCIM became a signatory to the Investor Statement on Coronavirus Response. The statement urged the business community to take steps to protect their employees, suppliers, customer and communities during the pandemic by providing paid leave, prioritize health and safety, maintain employment, maintain supplier and customer relationships, and demonstrate financial prudence.
- VCIM joined the Access to Nutrition Foundation initiative as a signatory. The initiative targets large food and beverage manufacturers to improve the nutritional profile of food and beverages marketed around the globe.
- VCIM joined the Investors for Opioid and Pharmaceutical Accountability (IOPA) Initiative focused on improving board governance to address the opioid crisis and pharmaceutical industry ESG concerns.
- VCIM supported the Global Investor Statement to Governments on Climate Change. The statement calls on global leaders to achieve the Paris Agreement's goals to meet the emissions reduction goal of the agreement, accelerate private sector investment into the low carbon transition, and commit to improve climate-related financial reporting by publicly supporting the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
- VCIM joined the Plastics Solutions Investor Alliance (PSIA), a group of investors who engage with publicly traded companies on the threat posed by plastic pollution. The PSIA encourages companies using plastic packaging to support public policy measures aimed at reducing plastics waste, disclose annual plastic packaging use, set plastic use reduction goals, transition plastic packaging to be recyclable, reusable, or compostable and develop alternatives to plastic for packaging purposes.

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- 1 Ten Years in Public Health 2007-2017, Dr. Margaret Chan, Director-General, World Health Organization (WHO) (2017)
 - 2 History of Vaccines – Measles Report accessed March 2020 <https://www.historyofvaccines.org/timeline/measles>
 - 3 World Health Organization's Guide to Identifying The Economic Consequences of Disease and Injury. (2009)
 - 4 Ten Years in Public Health 2007-2017, Dr. Margaret Chan, Director-General, World Health Organization (WHO) (2017)
 - 5 The geographical distribution of fossil fuels unused when limiting global warming to 2 °C
Christophe McGlade & Paul Ekins, Nature volume 517, pages 187–190 (08 January 2015)
 - 6 Global Linkages Report: A graphic look at the changing Arctic' published by the UN Environment Programme and GRID Arsenal
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 - 7 Feeding Ourselves Thirsty 2019 published by Ceres (30 October 2019)
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 - 9 Last years' historic floods ruined 20 million acres of farmland, Amal Ahmed published by Popular Science (20 January 2020)
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 - 11 Future of food – The investment case for a protein shake up published by FAIRR (Farm Animal Investment Risk and Return)
(25 September 2016)
 - 12 Dichlorodiphenyltrichloroethane, commonly known as DDT, is a colorless, tasteless, and almost odorless crystalline chemical compound, an organochlorine. It was originally developed as an insecticide, then it became infamous for its environmental impacts.
 - 13 The US Agency for Toxic Substance and Disease Registry (ATSDR)'s Draft Toxicological Profile for Glyphosate. (April 2019)
 - 14 Zhang L, Rana I, Shaffer RM, Taioli E, Sheppard L, Exposure to Glyphosate-Based Herbicides and Risk for Non-Hodgkin Lymphoma: A Meta-Analysis and Supporting Evidence, Mutation Research-Reviews in Mutation Research (2019), <https://doi.org/10.1016/j.mrrev.2019.02.001>
 - 15 Mount Polley mine storage facility failure published by UN Environment Programme and GRID Arsenal (2017)
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 - 17 *How to Advocate for Pay Equity Analysis*, PayScale. May 2020.
 - 18 *Women in Financial Services*. Oliver Wyman, 2016.
 - 19 *Do Firms Respond to Gender Pay Gap Transparency*, Morten Bennedsen et al. November 5, 2018.
 - 20 *Human Rights in the Digital Age – Can they Make a Difference? Keynote speech by Michelle Bachelet*. United Nations Human Rights Office of the High Commissioner. October 17 2019.
 - 21 At the time of this report publication, voting results were not available.



The foregoing document describes shareholder engagement activities conducted during 2019 and Q1 2020 on behalf of the securityholders of the VCIM Pooled Funds, IA Clarington Inhance SRI funds and separately managed portfolios at VCIM and Credential Securities OnPoint Managed Program (OMP).

Vancity Investment Management Ltd. (VCIM) is the Fund Manager of the VCIM Pooled Funds that include the VCIM Short Duration Bond fund, VCIM Bond fund, VCIM Income fund, VCIM Canadian Equity fund and VCIM Global Equity fund. VCIM is sub-advisor to the IA Clarington Inhance SRI suite of funds. VCIM is the manager of the Credential Securities OMP VCIM Balanced portfolio.

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