Dialogue to Action

SHAREHOLDER ENGAGEMENT REPORT

Dialogue to Action details shareholder engagement activities for 2017/Q1 2018 and includes background information on how environmental, social and governance issues affect shareholder value.

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Vancity Investment Management (VCIM)

The Vancity Investment Management Ltd. (VCIM) investment philosophy is based on the idea that a company's long-term financial success is dependent on its key stakeholders. Investors provide capital, customers and clients purchase goods and services, employees provide labour, skills and talent, and communities offer a base of operations. The relationship with each stakeholder affects the company's ability to raise money, generate revenue, earn a profit and create value.

To achieve sustainable growth and preserve value, a company must know how to balance the competing expectations of stakeholders while satisfying their needs. A comprehensive understanding of environmental, social, governance (ESG) and financial risk is essential for the company to effectively manage its total impact on stakeholders.

Before investing, VCIM develops a complete picture of company-specific strengths, weaknesses, opportunities or threats by evaluating policies, performance and practices regarding the environment, social responsibility and corporate governance. This 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 a decision is made to invest in a company's stocks or bonds, the portfolio is monitored to assess vulnerability to ESG risk and, when new risks arise or current practices deteriorate, VCIM uses the tools of shareholder engagement to urge companies to address these risks and become more sustainable. Over the last decade, VCIM filed 49 shareholder proposals and engaged with companies 165 times to encourage the disclosure and management of risks related to environmental performance, social responsibility and corporate governance. In 2017, VCIM engaged 23 companies in one or more of seven key areas: living wages, indigenous rights, anti-microbial resistance, working conditions in the supply chain, ESG disclosure, gender diversity and climate change. VCIM filed seven shareholder resolutions, which created opportunities for focused discussions and advocacy with 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 safety conditions at clothing manufacturing plants, access to medicine, climate change and the need for free, prior and informed consent of indigenous peoples.

ABOUT US: Vancity Investment Management (VCIM) is a rapidly growing leader in socially responsible investing in Canada. We offer individual, institutional and mutual fund clients an integrated investment process that utilizes shareholder engagement and incorporates both ESG analysis and traditional financial analysis in the construction and management of investment portfolios. VCIM is a signatory to the UN Principles for Responsible Investment (UNPRI) with a commitment to encourage greater disclosure on environmental performance, social responsibility and corporate governance. VCIM is the sub-advisor to the IA Clarington Inhance SRI Funds.

Project finance and indigenous rights

Many resource extraction projects depend on major banks to provide investment banking services and facilitate debt financing. Banks need to exercise enhanced diligence to ensure financed projects are not harming human rights or compromising the environment. In 2003, a group of banks, organized through the UN Environment Program, developed the Equator Principles as a set of guidelines to aid in assessing and minimizing social and environmental risks associated with major projects. The Principles have been updated three times to date. Many of the world's largest banks, including most Canadian banks, apply the Principles when financing projects with capital costs of at least US$10 million. There is a growing concern among socially responsible investors that the Principles need to be updated once again and harmonized with climate policy to ensure future clean development pathways are not compromised by long-term fossil fuel infrastructure developments.

A coalition of First Nations and environmental organizations have called on banks to decline financing for Kinder Morgan and the Trans Mountain Pipeline Expansion project. The coalition raised a number of concerns highlighting the link between project finance, reputation risk and environmental risk. While the Inhance SRI Funds do not hold Kinder Morgan or Trans Mountain Pipeline securities, the Funds do invest in Canadian and other banks involved in project finance activities. On behalf of the Funds, VCIM requested Canadian banks apply a higher level of diligence over potential environmental and social impacts from the project. In particular, financiers need to ensure project developers obtain the free, prior and informed consent (FPIC) of indigenous people who may be affected by the project. Requiring consent before financing will support efforts to address imbalances in the historic relationship between government, corporations and indigenous groups, also known as First Nations. Support for FPIC is grounded in the Equator Principles, the United Nations Declaration on the Rights of Indigenous People and the Truth and Reconciliation Commission for Canada.

The Equator Principles are designed to ensure financial institutions are not enabling the creation of significant negative social and environmental impacts. The Equator Principles explicitly reference International Finance Corporation (IFC) performance standards on the need for (FPIC) by affected aboriginal groups:

> Projects affecting indigenous peoples will be subject to a process of Informed Consultation and Participation, and will need to comply with the rights and protections for indigenous peoples contained in relevant national law, including those laws implementing host country obligations under international law. Consistent with the special circumstances described in IFC Performance Standard 7 (when relevant as defined in Principle 3), Projects with adverse impacts on indigenous people will require their Free, Prior and Informed Consent (FPIC)
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> *Principle 5: Stakeholder Engagement, Equator Principles III, June 2013*

The Equator Principles have been criticized for applying a separate standard for projects in North America. The current version of the Equator Principles considers compliance with Canadian or American laws adequate as a means of managing social and environmental risk and does not apply the IFC performance standards. For the Trans Mountain Pipeline Expansion project, this means the findings of the National Energy Board are considered sufficient.

Given the amount of territory claimed by indigenous people and the substantial number of resource development projects in North America, VCIM believes banks that rely on host country regulators are incurring social and reputational risk as well as project-specific environmental risks. The failure to achieve FPIC for the Dakota Access Pipeline project process led a number of banks based in the European Union to suggest the IFC standards should apply to all projects. VCIM supports this proposal and called on Canadian banks to voluntarily apply the IFC standard to projects receiving financial or advisory services. Such an undertaking would help facilitate reconciliation with indigenous people and be consistent with evolving government policy as noted in the United Nations Declaration on the Rights of Indigenous People (UNDRIP).

Reconciliation between Aboriginal and non-Aboriginal Canadians is a major issue in Canada and is likely to influence resource development decisions for the foreseeable future. Reconciliation arose out of a need to address the record of historic discrimination against indigenous people in Canada.

For over 100 years, starting in 1867 with the founding of the nation, the Government of Canada sought to eliminate traditional aboriginal culture, language and identity through a policy of assimilation and integration. Compulsory schooling and residential schooling, which removed children from their families and communities, were instrumental in attempts at forced assimilation.

In recognition of the harm and abuse caused by residential schools, the Truth and Reconciliation Commission of Canada was established in 2008. The Commission provided a response to the legacy of Indian Residential Schools, acknowledging injustices and harms experienced by indigenous people and the need for continued healing. The Commission found that the UN Declaration on the Rights of Indigenous Peoples "provides a valuable framework for working towards reconciliation between Aboriginal and non-Aboriginal Canadians." In 2015, the Commission called on all levels of government to adopt the Declaration specifically stating:

> We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources. This would include, but not be limited to, the following:
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> Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.

UNDRIP was adopted in 2007 by the UN General Assembly with four countries voting against, including Canada. The government, at the time, opposed the requirement to seek consent from indigenous people, in particular Article 18 of the Declaration:

> States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free, prior and informed consent before adopting and implementing legislative or administrative measures that may affect them.

In 2016, following a change in government, Canada officially adopted the Declaration and announced it would be fully supported and implemented, in accordance with the Canadian constitution, which protects indigenous and treaty rights. Ironically, despite significant opposition from indigenous peoples, and the adoption of UNDRIP, the Canadian government continues to support the pipeline project.

Currently, over a dozen First Nations are challenging the legality of Kinder Morgan's Trans Mountain Pipeline project and some have issued a call for divestment from institutions funding the project. VCIM is concerned that financiers have not adequately considered how the project imposes environmental and human rights risk on First Nations communities.

The original right-of-way for the pipeline was obtained by Trans Mountain Pipeline in the early 1950s, when Canada's assimilation policy was active. Indigenous people were forbidden from retaining a lawyer to launch any claim to rights or title challenging the Canadian government; nor could they rely on elected Members of Parliament to represent their views since, prior to 1960, indigenous people could not vote in parliamentary elections unless they gave up their treaty rights and Indian status. A significant aspect of the Reconciliation process is the need to redress historic wrongs and establish a new relationship with First Nations based on mutual respect. Achieving FPIC will help reconcile the historic imbalance between project proponents and indigenous people.

It's risky to rely on regulators to determine whether the Trans Mountain Pipeline Expansion project complies with the Equator Principles. In April 2016, the National Energy Board released its report on the project and concluded that impacts on the interests of indigenous people from the project were insignificant. The analysis supporting that conclusion was strictly limited to traditional use, traditional knowledge and traditional purposes. While an assessment of traditional use may be of value in establishing a right to a territory, it does not reflect how the territory could be used today to meet the ongoing aspirations of indigenous people wishing to practice their own forms of sustainable development. It is based on a "frozen in time" assumption where indigenous people pursue traditional uses. Under that form of analysis, rights cannot evolve to reflect current or future uses, which can be drastically compromised due to current development projects. Requiring project developers to engage with indigenous people to achieve FPIC helps ensure concerns related to future land use are addressed and mitigated.

VCIM met with Scotiabank, RBC and CIBC to discuss each bank's process for evaluating risks associated with project finance. VCIM encouraged the banks to adopt a uniform standard to ensure project proponents work to obtain FPIC from indigenous people. VCIM also joined a coalition of institutional investors supporting the addition of free, FPIC as a component of the Equator Principles applicable to all countries and regions.

Each bank reaffirmed their commitment to the Equator Principles as guidelines to address environmental and social impacts. As part of their due diligence, Scotiabank and RBC hired third-party experts to enhance their review of the Trans Mountain project prior to financing. RBC is a member of the Equator Principles working group developing the new guidelines for FPIC. The banks agreed to abide by any new guidance from the Equator Principles process. VCIM joined with AEquo, a shareholder engagement service provider, and wrote to all Canadian signatories expressing support for a more thorough process for achieving FPIC and the inclusion of climate risk analysis in project finance determinations. On October 25, the Equator Principles financial institutions met and decided to update the Principles to address FPIC and climate change.

Climate risk management

Risks related to climate change continue to attract the attention of regulators, policy makers, investors and the public. VCIM has taken precautions to limit fund exposure by adopting and implementing a four-part strategy based on divestment, decarbonization, re-investment and engagement. In 2015, VCIM divested all fossil fuel from the IA Clarington Inhance Global Equity SRI Class. At the same time, VCIM reduced exposure to heavy fossil fuel from the IA Clarington Inhance Canadian Equity SRI Class and IA Clarington Inhance Monthly Income SRI Fund by divesting from oil sands producers. Neither fund holds investments in major oil pipeline companies or coal producers. On the first day of operation, VCIM eliminated all fossil fuel companies from the IA Clarington Inhance Bond SRI Fund.

As of March 31, 2018, IA Clarington Inhance Global Equity SRI Class has 15.4% invested in well-established renewable energy and clean technology companies and no investments in fossil fuel companies. IA Clarington Inhance Bond SRI Fund also has no investment in fossil fuel and 6% of its assets invested in certified green bonds (securities whose proceeds are used exclusively to fund projects that contribute to environmental sustainability. These bonds are issued by governments and corporations to fund initiatives such as clean transportation, renewable energy and energy efficiency). IA Clarington Inhance Monthly Income SRI Fund has 11.4% invested in renewable and sustainable technology companies and 5.4% in oil and gas producers. IA Clarington Canadian Equity SRI Class has 4.3% in renewables and sustainable technology and 6.4% in oil and gas producers. A weighted average of 11.7% of assets in IA Clarington Global Equity SRI Class, IA Clarington Monthly Income SRI Fund and IA Clarington Inhance Canadian Equity SRI Class are invested in renewables and clean technology while 3.7% is invested in oil and gas producers.

CLIMATE RISK ENGAGEMENT

In 2017, VCIM joined and supported the Declaration of Institutional Investors on Climate-Related Financial Risks. The 27 Canadian institutional investors who support the Declaration manage $1.3 trillion in assets. The aim of the initiative is to encourage publicly traded Canadian companies to adopt a financial disclosure framework covering climate change risks. As stated in the Declaration:

> We, the signatory financial institutions of this declaration, hereby call on publicly traded companies in Canada to commit to disclose more information on their exposure to climate change risks and the measures they adopt to manage these risks. This information is essential to allow investors to better assess the non-financial risks to which investment portfolios are exposed; design investment strategies adapted to new climate realities; and make financial decisions supported by these analyses.

VCIM views the Declaration as an opportunity to promote normalization of climate risk and provide local support for the implementation of the Task Force on Climate-Related Financial Disclosure (TCFD). The TCFD was established in 2015 by the Financial Stability Board, a creation of the G20 Finance Ministers and Central Bank Governors.

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.

VCIM filed shareholder resolutions and met with RBC and TD Bank to discuss each bank's process for evaluating cumulative risks associated with financing projects that contribute to climate change. RBC provided us with a review of their risk management process. The bank agreed to brief its board of directors on the exposure to cumulative climate-related risk including systemic, legal, competitive, strategic, reputation and credit risk. The bank is working towards a comprehensive approach above and beyond the risk associated with individual transactions.

VCIM participated in several discussions with TD on their approach to climate risk management. TD discussed policies, practices and recent initiatives aimed at increased risk disclosure and support for the transition to a low-carbon economy. On December 18, TD announced that the bank will be providing financing of $100 billion over the next decade towards the transition to the low-carbon economy.

Both TD and RBC are committed to piloting the recommendations of the TCFD. TD and RBC are among the 16 banks across the globe who are testing the framework.

In late 2017, VCIM joined the Carbon 100 Initiative, a global climate coalition of investors aimed at encouraging companies to address greenhouse gas emission reductions across the lifecycle of products, processes and services. The initiative is engaging with 100 companies who are responsible for generating the largest direct and indirect greenhouse gas emissions. The engagement is focused on ensuring climate risk is being addressed through governance and action to reduce emissions across the entire value chain – suppliers, manufacturers, distributors, consumers and end-of-life disposal or recycling. Carbon 100 is a long-term project aiming to work with companies over a five-year time horizon to create lasting change in the emissions profile of these companies.

VCIM has been a member of the Carbon Disclosure Project (CDP) since 2004. The CDP offers a unique opportunity for companies to address investor concerns regarding climate change risks. The CDP is the world's largest investor-led initiative supported by 658 investment managers and asset owners responsible for US$87 trillion in assets. The purpose of the CDP is to encourage companies to provide investors with information on emissions, risk management, governance and opportunities related to climate change. In support of the Carbon Disclosure project, VCIM encouraged Brookfield Infrastructure Partners L.P., Pembina Pipeline Corp., Whitecap Resources Inc., Toromont Industries Ltd., Norbord Inc., Intertape Polymer Group and Tourmaline Oil Corp. to respond to the CDP request for information or to provide similar disclosure in current regulatory filings. Tourmaline provided the company's first response to the CDP in 2017.

Living Wage

One of the ways socially responsible companies contribute to the economic well-being of the communities in which they operate is by providing direct and indirect employment, preferably at rates that reflect a Living Wage. The Living Wage is an hourly rate of pay sufficient to meet basic needs and support families. The rate is calculated annually based on a market basket of expenses including food, clothing, shelter, transportation, childcare and other household expenses. The rate can be calculated on a metropolitan, regional, provincial or national basis. In the U.K. it is calculated as a city rate for London and a separate rate for the rest of the country. In developing countries is set at a national rate. In Canada it has been set at a city and regional level.

The direct benefits of paying a Living Wage include staff retention, positive corporate reputation, improved productivity and staff morale. The indirect benefits include increased social capital and sustainable economic growth.

Paying a Living Wage:

- allows families to thrive and human capital to flourish by contributing to a more supportive environment for positive childhood outcomes;
- contributes to prosperity and helps overcome economic stagnation by increasing consumer demand among lower wage earners; and
- is an investment in the company's workforce and the community.

VCIM filed a shareholder resolution with Loblaw Companies on behalf of the IA Clarington Inhance Canadian Equity SRI Class. The resolution asked the board of directors to undertake a review and report to shareholders on the feasibility, cost and benefits of implementing a Living Wage policy covering employees, suppliers and contractors. The Loblaw board recommended against undertaking the review, arguing that a living wage analysis was an oversimplification of compensation practices, the cost of a review would outweigh the benefits and the analysis would have no bearing on unionized employees covered by specific contracts. VCIM is presenting the resolution at the Loblaw annual meeting of shareholders and will put forward further views for consideration as noted below.

A Living Wage analysis will provide a factual basis for evaluating the fairness of the company's compensation policies with respect to the lowest paid full time employees by considering all forms of compensation including benefits above statutory requirements. As the retail business evolves in response to on-line competition, technology implementation within stores and consumer demand, retailers need to attract and retain qualified employees at all levels. Understanding whether or nor the company is paying wages sufficient to meet the basic needs of employees is key to remaining competitive in an industry undergoing significant transformation.

Undertaking a corporate wide review of compensation practices to ensure employees are meeting basic needs is an efficient use of company resources and will provide shareholders with the assurance that Loblaw Companies are responsible employers. Assessing the current wage rates for the lowest paid employees in comparison to a living wage benchmark will allow the company to focus training programs, mentorship and skills evaluation to bridge any identified gaps.

Collective bargaining agreements are negotiated in good faith utilizing the best current information regarding wages, benefits, working conditions and terms of employment, among other considerations. Ensuring all employees, whether unionized or not, are fairly compensated will result in a more equitable workplace.

VCIM met with Manulife Financial Corp. and Sun Life Financial Inc. to discuss the results of each company's review of wages and compensation in comparison to the Living Wage benchmark. Manulife completed a review and determined that all employees were receiving compensation equal to or greater than the Living Wage. Sun Life determined that virtually all employees are receiving compensation equivalent to the benchmark. VCIM also met with Dollarama Inc. and discussed company policy regarding wages and benefits. Dollarama did not commit to a specific regional wage policy but agreed to increase reporting on company-wide social and environmental impacts.

Workplace disclosure

VCIM joined the Workplace Disclosure Initiative (WDI), launched by ShareAction in the U.K., in partnership with Shareholder Association for Research and Education in Canada. The WDI is a pilot project covering 75 large global companies. The initiative encourages companies to provide investors with more information on human capital management, including the supply chain.

Companies currently provide very little information on workforce training, turnover rates, employee benefits or even workplace injury rates. The aim of the WDI is to promote the disclosure of comparable data for all investors. By joining with other investors, VCIM believes there is a higher likelihood of getting more ESG information included in regulatory reporting and in investment decision-making.

Gender diversity

VCIM recently reviewed the IA Clarington Inhance Canadian Equity SRI Class and identified three companies with no female board members. On average, women hold one quarter of the board seats among companies held in the Fund. Gender diversity among senior executives and board members has direct implications for a company's value and sustainability, particularly in the area of employee recruitment and retention. A recent study from the Center for Responsible Business found a strong link between gender diversity among board members and ESG performance. Companies with more female board members are more likely to proactively address climate change, provide stronger employee benefits and performance incentives and provide higher levels of transparency and stronger governance structure.

According to Statistics Canada, women comprise 59% of Science, Technology, Engineering, Mathematics and Computer (STEM) graduates between the ages of 25 and 34, including 30% of mathematics and computer science graduates. In addition, 54% of graduates in business, finance and public administration are women. Women comprise 25.6% of management positions throughout Canada, hold 15% of senior officer positions in publicly traded companies and 14.5% of director positions.

VCIM engaged with Norbord Inc., Cargojet Inc. and Constellation Software Inc. on gender diversity among board members. Cargojet and Norbord responded that each is proposing female board members for election at the 2018 annual meeting of shareholders. Constellation Software reported in the company's latest filing that they have appointed a female board member who will be standing for election at the 2018 annual meeting of shareholders.

Rail safety

Shareholders generally understand the risks inherent in the stock market, but rely on company management to ensure environmental, social and governance risks are addressed appropriately. The boards and management of railway companies are expected to implement a well-functioning inspection, safety and remediation system to protect employees, the public and the shareholder's investment. When mishaps occur, the system needs to be recalibrated to avoid preventable incidents and unnecessary inconvenience to the public or damage to the environment.

On October 22, 2017, a derailment of 12 rail cars carrying crude petroleum occurred in Sturgeon County, Alberta, resulting in the evacuation of dozens of homes. According to the Transportation Safety Board, approximately six weeks prior, on September 14, 2017, CN Rail testing identified fracture defects in the vicinity of where the derailment occurred. The TSB noted that CN's inspection protocols had identified the condition of the rail that had reached "condemning" levels.

The transportation of hazardous goods has the potential to disrupt communities, damage the environment and impact the value and reputation of the company. Timely response to identified defects in rail tracks is a key to preventing negative impacts.

VCIM filed shareholder resolutions and met with CN Rail and CP Rail to discuss the need to report on steps taken to revise inspection and repair protocols to ensure rapid response, re-routing or curtailment when degraded rail track is identified. CN provided a detailed briefing on safety and maintenance programs. Following the Sturgeon County derailment, CN committed to increasing the frequency of audits for third-party service providers contracted to undertake some inspections. On a corporate-wide basis, CN is expanding the use of state-of-the-art rail inspection technology. The potential for extreme weather impacts on infrastructure has been formally recognized and, in response to the increase in extreme weather incidents, CN has begun providing more on-the-ground rail line inspections. Climate risk is recognized as an operational risk at the company.

CP met with VCIM and discussed the company's approach to rail inspections. CP assured VCIM the company can effectively address climate impacts, based on their experience in dealing with challenging environments across Canada while operating in extreme weather. CP utilizes rail inspection technology to identify risks and pro-active maintenance to minimize rail safety incidents.

Factory safety

In response to the tragedy at Rana Plaza, which resulted in over 1,100 deaths and 2,600 injuries, VCIM joined the Bangladesh Investor Initiative in May, 2013 and 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 provides investors with increased assurance that worker safety and the right to a respectful workplace will be protected. In return, companies sourcing goods from Bangladesh factories have greater confidence that goods are being produced under reasonable conditions. The Accord covered a five-year period and is due to end in May 2018.

Many of the Accord signatories are not completely satisfied that sufficient work on safety has been completed. In June 2017, several companies and global unions agreed to extend the Accord for an additional three years to ensure adequate time to remediate problems identified at supplier factories in Bangladesh. The new Accord includes a three-year transition process, which will build the capacity of local authorities with the aim of transferring responsibility by May 2021. To date, 140 companies have signed on to the new Accord. Inditex SA and Loblaw Companies Ltd., two companies held in the Funds, support the extension.

Costco Wholesale Corp. and Canadian Tire Corp., also held in the Funds, are members of the Alliance for Bangladesh Worker Safety, a parallel initiative with similar objectives as the Accord. VCIM joined the Bangladesh Investor Initiative in expressing concern that the Alliance program is ending in 2018 with no national regulatory body in place with full capacity to inspect factories, compel remedies and protect workers. VCIM called on Costco and Canadian Tire to join the new extended Accord and continue supporting safety improvements in Bangladesh. Canadian Tire announced that the company will continue working with supplier factories to ensure standards are upheld and reported that the Alliance is in the process of developing a multi-stakeholder organization in Bangladesh, to continue safety monitoring, inspections, training and helpline services.

ESG disclosure

A company's financial value is based on future cash flows plus existing assets, minus liabilities. ESG factors can have a positive or negative impact on value. For example, environmental risks, such as managing hazardous byproducts, require diligence and systematic oversight to protect the integrity of operating assets. Environmental risks also foster opportunities to use preventive measures and diversify towards less damaging products, processes or services. As social preferences and choices evolve, company revenues are impacted and some lines of business may cease to exist, while new ones emerge. Good governance by the company's board ensures assets are deployed appropriately to create long-term value, while considering the impacts of evolving social and environmental factors, including climate change. Company disclosure of ESG information has become increasingly important for mainstream investors including mutual funds, pensions and endowments.

Today, numerous rating agencies and firms evaluate and assess the quality and depth of information regarding individual companies' ESG programs, policies and impacts. These ratings inform investment decision making. Quantifiable ESG data is also being used to develop risk management strategies aimed at enhancing long-term portfolio performance through market cycles.

Since April 2006, the UNPRI have been signed and adopted by 361 asset owners and 1,271 asset managers with a total of US$68.4 trillion in assets under management. UNPRI signatories explicitly recognize that ESG factors affect the performance of investment portfolios. Signatories are committed to incorporating ESG issues into investment analysis and decision-making processes.

Many companies provide comprehensive ESG information as a sustainability report, corporate social responsibility report or public accountability statement. In some cases, the information is fully integrated into the company's annual report. VCIM filed a shareholder proposal with Waste Connections, Inc., calling on the company to provide a detailed report to shareholders on goals, targets, metrics and data substantiating the company's commitment to managing ESG risks. The company met with VCIM and is currently working to gather relevant data and publish an ESG report based on global reporting standards.

Water disclosure

The United Nations' 2015 World Water Development Report projects that by 2030, worldwide demand for water will outstrip supply by 40%. Freshwater withdrawals for energy production are expected to increase from 15% of total withdrawals to 20% by 2035. Increased demand will lead to heightened scrutiny of operations that depend on high volumes of water for industrial purposes, particularly in the energy industry.

Concerns about water contamination and wastewater disposal are also increasing throughout North America. According to the U.S. Environmental Protection Agency's 2016 report on the impact of hydraulic fracturing on drinking water resources, there is potential for serious and irreversible impacts on local groundwater supplies in the event of process failures or improper injection and discharge of wastewater from operations. Companies operating in the energy sector can avoid environmental and community damage as well as legal and reputational harm by managing these risks appropriately.

The Carbon Disclosure Project (CDP) developed a questionnaire and reporting module aimed at helping investors understand how companies are addressing risks and vulnerabilities that impact water-dependent industries and sectors. CDP reports are a good source of information for investors seeking to evaluate and understand water management strategies and how companies address water risks associated with core operations. In addition, the CDP format provides a standard data set that allows investors to compare and assess overall portfolio risk. VCIM called on two energy companies held in the IA Clarington Inhance Canadian Equity SRI Class and the IA Clarington Inhance Monthly Income SRI Fund, Vermilion Energy Inc. and ARC Resources Ltd., to provide enhanced disclosure on water use, treatment and disposal, with a focus on the CDP Water Disclosure initiative.

Access to medicine and antimicrobial resistance

VCIM supported an initiative aimed at aligning the Sustainability Accounting Standards Board (SASB) standards for the Biotechnology and Pharmaceutical industry with the Access to Medicines (ATM) Index. The SASB publishes detailed guidelines for sustainability reporting, with a focus on increasing disclosure of ESG information. The guidelines cover 79 industries in 11 sectors. VCIM participated in this process through collaboration with the Access to Medicine (AIM) Foundation. The Foundation aims to increase access to medicine and vaccines for people in low- and middle-income countries. The ATM produce an index based on how well the top 20 pharmaceutical companies are performing in this area. VCIM encouraged the SASB to update reporting standards for the industry to align with ATM disclosure recommendations and include antimicrobial resistance (AMR) metrics.

AMR is an emerging ESG risk threatening the stability of health care systems worldwide. AMR is a well-known phenomenon where bacteria and other disease-causing microbes develop resistance to previously effective drugs. In the U.S., the Centers for Disease Control (CDC) estimates that AMR causes at least 2,049,442 illnesses and 23,000 deaths annually. The major concern with AMR is that antibiotics will no longer work to treat infections. As outlined by the CDC, 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 urgent action on the issue of AMR is recognized by the United Nations, the World Health Organization and a number of country authorities, such as the CDC.

There are multiple avenues contributing to the development of AMR, including livestock and poultry practices, improper patient usage and environmental contamination. The pharmaceutical supply chain has recently become a new focal point. Academic studies conducted on environments surrounding manufacturing plants in India, China, Korea and Croatia have found excessively high antibiotic concentrations in these areas. In the pharmaceutical manufacturing hub of Hyderabad, India, studies found levels of some antibiotics were higher in the environment than clinical levels expected in patients using the antibiotic. According to the Bureau of Investigative Journalism, it is not possible to determine precisely which pharmaceutical companies utilize these suppliers due to the complex nature of pharmaceutical supply chains. This highlights the need for an integrated approach by all major pharmaceutical companies in addressing supply chain waste treatment practices.

Many pharmaceutical treatments work in conjunction with antibiotics and may no longer be effective in a post-antibiotic world. The pharmaceuticals industry is uniquely positioned to address AMR with both the development of new medications and management of discharge throughout the supply chain. VCIM has initiated an engagement with four companies, Gilead Sciences Inc., CSL Ltd., Shire PLC and Novo Nordisk A/S, to open a dialogue on supply chain management and risk mitigation in regard to antimicrobial resistance as it relates to pharmaceutical production.

In response, Novo Nordisk determined that the company is not involved in manufacturing antibiotics, but recognizes the need for collective action to solve the AMR issue. Novo's holding company recently launched the REPAIR impact fund dedicated to investing in companies fighting superbugs resistant to modern drugs and developing new antibiotics. In Gilead's response, the company stated that AMR is not a significant issue or risk, and direct suppliers are subject to routine monitoring programs ensuring aqueous waste streams are fully treated prior to discharge.

Vancity Investment Management Ltd. (VCIM) is sub-advisor to the IA Clarington Inhance SRI funds. On December 4, 2009, the Inhance Mutual funds, Vancity Circadian Funds and the Vancity Perspectives Portfolio Solutions were merged into the IA Clarington Inhance SRI Fund family. Vancity Investment Management replaced Inhance Investment Management as sub-advisor to the funds on December 14, 2009. The foregoing document described engagement activities conducted during 2017 and Q1 2018 on behalf of the securityholders of the IA Clarington Inhance SRI funds.

Vancity Investment Management

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