



Dialogue to Action

Shareholder engagement report

Dialogue to Action details Vancity Investment Management Ltd.'s shareholder engagement activities for 2018/Q1 2019 and includes background information on how environmental, social and governance issues affect shareholder value.



2018/Q1 2019 Shareholder engagement report

Vancity Investment Management's (VCIM) core philosophy is founded on the premise that a company's long-term financial success depends on its ability to cultivate and maintain positive relationships with key stakeholders. Each stakeholder directly influences the company's financial sustainability: investors are a source of capital; customers and clients purchase goods and services; employees supply labour, skills and talent; and 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 filed 56 shareholder proposals and engaged with companies 190 times to encourage appropriate steps on issues related to environmental performance, social responsibility and corporate governance. In 2018, VCIM engaged 25 companies in one or more of seven key areas: gender pay equity, pesticides, anti-microbial resistance, working conditions in the supply chain, water use, consumer packaging and climate change. VCIM filed seven shareholder resolutions, which were ultimately withdrawn following focused discussions and commitments made by key decision makers from each company.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 safety conditions at clothing manufacturing plants, anti-microbial resistance, mine tailings management, food supply and climate change.





SUSTAINABLE DEVELOPMENT GOALS



Over the most recent period, VCIM's engagement activities helped advance 10 goals on the UN Agenda for Sustainable Development. In total, the Agenda includes 17 sustainable development goals (SDGs), which are designed to address poverty, economic inequality, gender equity and environmental sustainability. The UN and many governments explicitly recognize that business cannot thrive unless these goals are met.

Shareholder engagement highlights

	<p>The overuse of antibiotics in the agricultural supply chain is contributing to anti-microbial resistance (p. 11), threatening the efficacy of global health care. VCIM engaged companies this year to understand how this issue is being managed in their supply chains.</p> <p>Companies engaged: Costco, Starbucks, Royal DSM, Restaurant Brands International</p> <p>VCIM continues its collaborative engagement with the Access to Medicine Index to address how the world's largest pharmaceutical companies are making medicines available in low- and middle-income countries.</p>
	<p>The gender pay gap (p. 6) 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 and address the disproportionate number of males versus females in the highest-paying company roles.</p> <p>Companies engaged: CIBC, RBC, TD, Scotiabank, Manulife, Sun Life</p>
	<p>VCIM has been a member of the Carbon Disclosure Project (CDP) since 2004. This past year, VCIM engaged energy companies on risks associated with water use (p. 8) and discharge, particularly the potential for waste water to cause environmental damage and associated liabilities.</p> <p>Companies engaged: ARC Resources, Keyera Corp., Peyto Exploration and Development, Vermillion Energy and AltaGas Ltd.</p>
	<p>With increasing digitization, it's expected that by 2030, data centers will increase their use of electricity by 1500%. VCIM focused its engagement efforts on urging a key data centre provider to transition to renewable energy sources (p. 8).</p> <p>Companies engaged: Equinix</p>
	<p>Since the Rana Plaza Tragedy in 2013, VCIM has been actively involved in efforts to protect supply chain workers' rights in Bangladesh (p. 13). This past year we called on the country's government to extend the Accord on Fire and Building Safety in Bangladesh and participated in dialogue with the Canadian High Commissioner in Bangladesh.</p>
	<p>VCIM called on financial institutions to eliminate the gender pay gap (p. 6), supporting SDG 10's target to ensure equal opportunity by eliminating discriminatory practices and promoting appropriate policy and action.</p> <p>Companies engaged: CIBC, RBC, TD, Scotiabank, Manulife, Sun Life</p>

	<p>SDG 12 seeks a substantial reduction to waste generation, including consumer packaging waste (p. 13), and encourages large and transnational companies to adopt sustainable practices. It is estimated that 50% of plastic is used once and thrown away, with five countries accounting for more plastic waste disposal in the ocean each year than the rest of the world combined.</p> <p>Sustainable packaging initiatives are necessary to combat the growing issue of plastic disposal in the ocean, and this past year VCIM engaged Starbucks on how the company plans to increase its scale of sustainable packaging initiatives and address operations in countries where waste management programs are underdeveloped.</p> <p>Companies engaged: Starbucks</p>
	<p>VCIM supports the recommendation of the Task Force on Climate-Related Financial Disclosure (TCFD) for companies to develop a consistent framework for disclosing financial data related to climate change. VCIM engaged Franco-Nevada on its increased exposure to climate risk (p. 8) as petroleum royalties are added to its portfolio.</p> <p>Companies engaged: Franco-Nevada</p> <p>VCIM further advanced impact on climate change through our fund decarbonization strategy, which seeks to replace high-carbon investments with renewable energy alternatives (p. 8), and as a signatory to the Statement of Support for a Low-Carbon Economy in support of the Green Bond Pledge (p. 8).</p>
	<p>Consumer packaging waste (p. 13) is a major contributor to the amount of plastic found in the world's oceans. Since many plastics can take hundreds of years to degrade, they pose a serious risk to water and marine life sustainability. In 2019, VCIM supported investor resolutions to replace plastic with sustainable packaging alternatives.</p> <p>Companies engaged: Starbucks</p> <p>The increasing global use of pesticides (p. 9) threatens the stability of water ecosystems. VCIM has engaged a number of companies on eliminating pesticide use.</p> <p>Companies engaged: CP Rail, CN Rail, Nutrien, Loblaw</p>
	<p>The World Health Organization determined that the most widely used herbicide in the world, glyphosate (p. 9), is likely carcinogenic to humans. Glyphosate's negative impact on waterways and its prevalence in the environment has led to increased scrutiny of impacts on both human health and ecosystem functioning. The use of glyphosates in vegetation management by rail companies raises significant environmental and health concerns. VCIM engaged rail companies to eliminate the use of herbicides on rail tracks and property.</p> <p>Companies engaged: CP Rail, CN Rail</p> <p>Scientific studies point to neonicotinoid (p. 10) exposure as a contributing factor in the decline of insect and bee colonies. The Task Force on Systemic Pesticides Worldwide Integrated Assessment found that neonicotinoids are known to be toxic in high doses and to persist in the environment, accumulating in waterways, soil and non-target plants, leading to detrimental impacts on pollinators and other insects. VCIM engaged companies to provide greater disclosure on management of risks associated with the distribution of neonicotinoids.</p> <p>Companies engaged: Nutrien, Loblaw</p>

About us

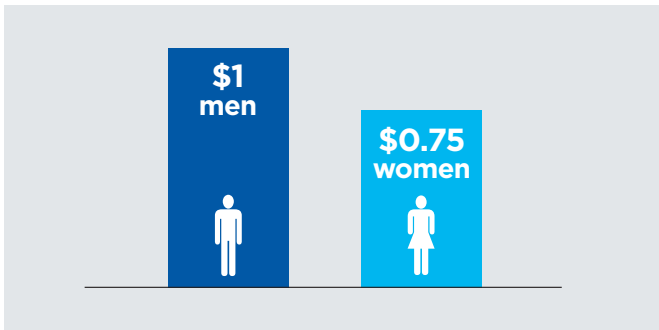
VCIM is a rapidly growing leader in socially responsible investing in Canada. We offer individual, institutional and mutual fund clients an integrated investment process that combines shareholder engagement with ESG and traditional financial analysis in the construction and management of investment portfolios. VCIM is a signatory to the UN Principles for Responsible Investment and is committed to promoting greater disclosure on environmental performance, social responsibility and corporate governance. VCIM is the sub-advisor to the IA Clarington Inhance SRI Funds.



Gender pay equity

The difference in workplace compensation between women and men is known as the gender pay gap. Sometimes the gap stems from women being paid less than men for the same job, other times it results from a bias favouring recruitment of men into higher-paying positions. In some cases, whole categories of lower-paid work are historically done by women.

Statistics Canada estimates women earn \$0.75 for every dollar earned by men. The gap widens for women who are indigenous, living with a disability, racialized or newcomers. The Ontario Equal Pay Coalition has found that, on average, it takes women 15.5 months to earn what a man earns in a year. The World Economic Forum estimates that, if pay equity gap trends continue, it will take 202 years to close the economic gender gap worldwide. Further, research continues to demonstrate how the gender pay gap can have lifelong financial consequences, directly contributing to women's poverty.



The gender pay gap ratio is the difference between male and female median earnings expressed as a percentage of male earnings. The gap acts as a barrier to women's full economic participation and reduces 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 help ensure sustainable development.

A study¹ of the gender pay gap and recent university graduates found that when pay equity calculations controlled for multiple variables,² which should theoretically eliminate a pay difference between men and women, there remained a pay gap of 7% one year after graduation.

The gap jumped to 12% 10 years after graduation. The study, like many others, concluded that the gap is most likely a result of discrimination and bias in compensation for men and women performing the same role.

Women in Financial Services, a 2016 report by management consulting firm Oliver Wyman, found the financial services industry has the highest level of mid-career exit for women in comparison to other sectors. Female managers, senior managers and executives in financial services are 20–30% more likely to leave their employer than peers in other industries.

As public scrutiny grows, regulators and governments have become involved. The 2018 federal budget identified equality in the workforce and addressing the gender wage gap as essential to removing systemic barriers to women's full economic participation and economic growth. The budget will require federally regulated employers under the *Employee Equity Act* to provide more disclosure on wage gaps that affect women, indigenous peoples, persons with disabilities and visible minorities.

As calls for gender pay equity strengthen and the Canadian government takes steps to require transparency, VCIM recognizes that companies that fail to address the pay gap within their own operations face reputational and regulatory risks. These risks may negatively affect the value of the company and impact the company brand. Conversely, making a commitment to eliminate the gap and taking a leadership and transparent position on this issue has the potential to further strengthen brand value and positively impact recruitment and retention. By demonstrating leadership in the financial sector, companies can also assist in the realization of key elements of UN Sustainable Development Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, and Goal 10: Reduced Inequalities.

As federally regulated entities, banks and insurance companies will be required to comply with Canada's new pay equity legislation. While the legislation does not explicitly require public reporting, transparent disclosure on actions to address any gender pay gap will support recruitment and retention of female employees while enhancing each company's reputation and brand as an equal employer.

VCIM engaged with CIBC, TD, RBC, Scotiabank, Manulife and Sun Life on this issue, encouraging them to address the following:

- Has the company conducted a gender pay gap analysis for its entire operations, including an overall pay gap analysis and same-job pay gap analysis?
- If a pay gap analysis was conducted, will the findings be made public?
- Does the company support the advancement of women into leadership roles to promote the equal representation of women among the highest wage earners?
- What programs has the company considered to address unconscious bias in its hiring and promotion practices?
- What steps can the company take to ensure women are paid and represented equally at all levels?

In a follow-up to the responses, VCIM filed shareholder resolutions with CIBC, TD, Scotiabank and Sun Life, calling on each company to evaluate and disclose progress towards achieving gender pay equity. Sun Life and CIBC agreed to continue dialogue on the issue and explore options for increased reporting. Scotiabank and TD agreed to undertake quantitative analysis of their Canadian operations and publish the results.



Climate risk

Risks related to climate change are having an impact on investors and the public. According to NASA:

Effects that scientists had predicted in the past would result from global climate change are now occurring: loss of sea ice, accelerated sea level rise and longer, more intense heat waves.³

Canada's Changing Climate Report (CCCR), a report by Environment and Climate Change Canada, estimates that, since 1948, Canada's annual average temperature over land has warmed by 1.7°C, with temperatures in the north increasing by 2.3°C. While the temperature increase includes natural variations, more than half of the change is likely due to human influence.

The insurance industry has identified extreme environmental conditions as a factor in the increase in wildfires in North America, Australia and the eastern Mediterranean, leading to increased premiums and, in the case of PG&E, a \$30 billion liability claim and

bankruptcy. The Bank of Canada also recognizes the potential impact on Canada and its oil and gas industry:

The importance of climate-related issues for financial stability and monetary policy have become increasingly clear. This is particularly true for Canada, where resources play a vital role in our economy and where the natural environment is a defining feature of our national identity.

– Stephen Poloz, Governor, Bank of Canada

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
- Litigation
- Development of new technology
- Market demand
- 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 has taken precautions to limit climate risk exposure by adopting and implementing a four-part strategy based on divestment, decarbonization, reinvestment and engagement. In 2015, VCIM eliminated all fossil fuel companies from IA Clarington Inhance Global Equity SRI Class. At the same time, VCIM reduced exposure to heavy fossil fuels in 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. Since its inception, IA Clarington Inhance Bond SRI Fund has been fossil fuel free.

VCIM will continue to decrease fund exposure to fossil fuels while seeking new opportunities in well-established companies developing solutions to climate risk.

Climate risk strategy in action

- **IA Clarington Inhance Global Equity SRI Class** has 16.5% invested in well-established renewable energy and clean technology companies and no investments in fossil fuel companies
- **IA Clarington Inhance Bond SRI Fund** has no investments in fossil fuel companies and 12.6% invested in certified green and social impact bonds
- **IA Clarington Inhance Monthly Income SRI Fund** has 12.6% invested in renewable and sustainable technology companies and 2.5% in oil and gas producers
- **IA Clarington Inhance Canadian Equity SRI Class** has 7.3% in renewables and sustainable technology and 2.7% in oil and gas producers

In total, 13.3% of equity assets are invested in renewables and clean technology, while 1.6% is invested on oil and gas producers.

As at March 31, 2019.

Climate engagement

VCIM engaged with Franco-Nevada on its increased exposure to climate risk as petroleum royalties are added to the company's portfolio. VCIM met with Franco-Nevada's chief operating officer and encouraged the company to conduct a scenario analysis in line with TCFD recommendations for risk disclosure. VCIM also participated in a collaborative engagement with the Retail Council of Canada on the implementation of the TCFD's recommendations.

VCIM engaged with Equinix, a data centre real estate investment trust (REIT), on increasing renewable energy use. With increasing digitization, data centres are estimated to increase electricity use fifteenfold by 2030 and account for 8% of projected global demand, up from about 1% today. Equinix is a member of the RE100, a group of companies that have committed to transitioning to 100% renewable energy in operations, and is supportive of government policy to increase the development of renewable energy infrastructure.

VCIM became a signatory to the Investor Statement of Support for a Low-Carbon Economy in support of the Green Bond Pledge. The Green Bond Pledge is a



declaration by cities, regional authorities, states and companies that they will build infrastructure and capital projects that increase resilience to climate change and reduce greenhouse gas emissions, and finance these projects with green bonds whenever possible. VCIM is committed to supporting the development of a green bond market by purchasing green bonds when suitable for the portfolios. To date, VCIM has invested over \$32 million in green and social impact bonds.

Carbon Disclosure Project (CDP) water/climate

VCIM has been a member of the 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 CDP developed a water disclosure initiative, including a standardized questionnaire, to help investors understand their portfolios' exposure to water risks in relation to climate change. The questionnaire aims to capture company-wide data and provide location-specific and facility-level water accounting and risk assessment. It includes topics such as water targets and goals, linkages between specific sites and water risk as well as how the risk is being mitigated. VCIM undertook engagement with energy companies on risks associated with water use and discharge, particularly the potential for waste water to cause environmental damage and associated liabilities. VCIM encouraged ARC Resources, Keyera Corp., Peyto Exploration and Development,

Vermillion Energy and AltaGas Limited to provide information to the CDP water disclosure initiative. ARC provided a response and Keyera will consider responding next year.⁴



Pesticides

Since their introduction in the 1970s, glyphosate-based products, such as Roundup, have become some of the most widely used herbicides globally. The herbicides have gained particular traction with the development of glyphosate-resistant 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 ecosystems. There appear to be significant concerns about the formulated product that includes surfactants versus glyphosate alone. Given the increasing evidence that the surfactants impact the toxicity of glyphosate, the U.S. government's National Toxicology Program is currently conducting studies specifically on the formulations. This is raising concerns about approvals and limits previously set for glyphosate-based pesticides. The most notable development in the past few years was the World Health Organization's International Agency for Research on Cancer (IARC) hazard assessment in 2015 that determined glyphosate is probably carcinogenic to humans.

The IARC decision has been followed by regulatory and legal action. A significant legal decision in California raises serious concerns about glyphosate use. The jury in this case awarded \$289 million to a school groundskeeper in California who had regularly applied glyphosate-based pesticides and developed non-Hodgkin's lymphoma. While Bayer's Monsanto is appealing the decision, the company is facing 11,000 additional lawsuits related to claims that glyphosate-based products resulted in cancer. Regulatory action has been increasing as well. California requires the product to be labelled as potentially cancer causing and the EU shortened its approval period from 15 years to five to allow for the decision to be reconsidered sooner amid member country conflicts. Health Canada completed a re-evaluation of glyphosate's approval following the IARC decision, and while the agency maintained glyphosate's approved status,

additional precautions and labelling amendments have been implemented. Many of these are relevant to application near water because of potential impacts on aquatic organisms. There are specific warnings in situations where water could become contaminated by runoff following heavy rain or as a result of topography and soil composition. As well, glyphosate has been shown to impact marine fish in particular, raising the risks of applying the herbicide near waterways that are either used by marine fish such as salmon or feed into water bodies containing marine fish. The impacts of glyphosate on waterways is increasingly being recognized as a serious issue that needs to be addressed.

Vegetation management is a vital component of railway operations. In light of increased concerns with glyphosate and aquatic environments, VCIM engaged with Canadian Pacific Railway and Canadian National Railway, requesting each company to report on the costs and benefits of eliminating the use of herbicides on rail tracks and property. Since climate change is predicted to increase droughts and heavy rain events, conditions that could lead to pesticide runoff will likely intensify. This will increase risks related to pesticide use and require greater management of this issue.



CN provided a detailed briefing on the company's vegetation management plan and efforts to find safe and effective replacements for glyphosate. CN will be implementing a formal process to regularly report to the Environment, Safety & Security Committee of the Board of Directors on the costs and benefits of eliminating glyphosate use on CN's property and the potential utilization of non-chemical-based alternative weed control methods.

CP engaged in detailed discussion on vegetation management and the company's efforts to find safe and effective replacements for glyphosate. CP committed to evaluate new processes and techniques for pest management along the right-of-way to minimize environmental impacts while maintaining safety across operations.



Neonicotinoid

Neonicotinoids are a type of pesticide marketed as an alternative to more harmful insecticides such as organophosphates. Neonicotinoids are often used to treat seeds prior to planting, since seed treatment reduces pesticide use by 90% compared to ground spraying and leaf treatment. Because these types of pesticides are systemic, they remain in the plant and may affect non-target species. Many peer-reviewed scientific studies point to neonicotinoid exposure as a contributing factor in insect and bee colony declines. The Task Force on Systemic Pesticides Worldwide Integrated Assessment found that neonicotinoids are known to be toxic in high doses and to persist in the

environment, accumulating in waterways, soil and non-target plants, leading to detrimental impacts on pollinators and other insects. In 2013, the EU ratified a ban on the use of neonicotinoids on certain outdoor crops such as oil seed, but did allow their continued use in greenhouses, on winter cereals, field crops after flowering and other crops not attractive to bees.

Additional scientific research linking neonicotinoids to overall ecosystem impacts has led governments to examine new regulations. The EU expanded the 2013 ban to extend to all outdoor uses of the three main neonicotinoids: clothianidrin, thiamethoxam, and imidacloprid. The U.S. Environmental Protection Agency paused new approvals and is conducting a risk assessment of neonicotinoids, creating some uncertainty on their status in the U.S. Health Canada proposed bans on the three main neonicotinoids due to impacts on aquatic invertebrates. An overall ban on the outdoor use of neonicotinoids and seed treatments could occur in the next three to five years. These recent regulatory developments are likely to have a significant impact on producers and retailers of neonicotinoid insecticides.

Nutrien Ltd. produces and distributes potash, nitrogen, and phosphate products for agricultural, industrial and feed manufacturers worldwide. Nutrien's Ag Solutions business relies heavily on crop protection and seed treatment products. The company expanded its retail business by acquiring 29 retail stores and AgriChem Brazil in 2018, creating greater exposure to revenue risks and regulatory uncertainty. Emerging scientific and regulatory consensus regarding neonicotinoids' potential harm to the environment could impact the entire Ag Solutions segment as well as other business lines dependent on agricultural sales.

VCIM filed a resolution with Nutrien, calling on the company to provide greater disclosure on management of risks associated with the distribution of neonicotinoids. VCIM engaged with Nutrien to gain a better understanding of how the company is managing new regulatory risks, the potential impact on the company's business, and whether or not alternative products are being developed. Following in-depth discussions and dialogue, the company agreed to provide further reporting on the issue in the next sustainability report and to increase educational training efforts aimed at end users in order to reduce pollinator exposure to neonicotinoids.





Food supply chain

Food retailers face reputational and supply chain risks related to neonicotinoids. An industry-funded report estimates that, without neonicotinoids, agricultural costs could increase significantly due to a combination of factors such as higher input costs, reduced yields and crop losses in certain regions.⁵ Risks associated with continued use of neonicotinoids, including pollinator declines, soil impacts and water ecosystem health could also lead to increased commodity prices. VCIM believes that grocers that have addressed the use of neonicotinoids in supply chains could be better positioned to manage the regulatory and supply chain risks present in agricultural commodities. Reputational risks may also be associated with failure to address neonicotinoid use in agricultural supply chains. Friends of the Earth has an ongoing campaign targeting U.S.-based grocery stores that do not address neonicotinoid use.



Loblaw has demonstrated leadership in supply chain management, particularly with the company's participation in the Bangladesh Accord and its full disclosure on factories used in apparel and footwear manufacturing. VCIM engaged with Loblaw to gain an understanding of the company's position and strategy regarding neonicotinoids.

Loblaw committed to working with its supply chain on this issue and to inform consumers about the harms of neonicotinoids. While the company does not have an explicit policy for neonicotinoid use among suppliers, it has worked with its garden and floral suppliers to

minimize neonicotinoid use and encouraged the use of biological controls to replace pesticides. The company is the largest organic produce retailer in Canada and welcomes Health Canada's intention to introduce stricter controls on neonicotinoids.



Anti-microbial resistance (AMR) – supply chain management

AMR is an emerging ESG risk threatening the stability of health care systems worldwide. It occurs when 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. 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 is recognized by the UN, the World Health Organization (WHO) and national authorities such as the 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 particular concern to regulators and consumers. According to the U.S. Food and Drug Administration, 70% of antibiotics prescribed in the U.S. 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 may no longer be possible.



Due to increased awareness and public concern, regulations covering antibiotic use for animals have been increasing. In California, farmers must obtain a prescription to use medically important antibiotics in animals. The EU banned the use of antibiotics in animals for growth promotion and the WHO published guidelines strongly recommending a complete restriction on the use of these antibiotics for growth promotion and disease prevention, absent a diagnosis. Consumers are becoming increasingly aware of the issues surrounding the use of antibiotics in animals. In a recent Consumer Reports survey, 86% of consumers prefer meats raised without antibiotics. This has been reflected in the growth of antibiotic-free meat sales, estimated by data analytics firm Nielsen to have increased 28.7% each year between 2011 and 2015, compared to 4.6% for conventional meat.

AMR linked to agricultural production poses significant reputational, regulatory and financial risks to food service companies. Companies that proactively manage these risks will minimize the impact of future regulations and retain socially conscious consumers.



VCIM began a dialogue with Starbucks to gain an understanding of how the company is addressing antibiotic use in beef, pork and dairy supply chains. Starbucks demonstrates leadership in overall supply chain management, addressing issues ranging from environmental sustainability to farm worker compensation. The company has begun to address emerging AMR risks within agricultural supply chains by committing to eliminate medically important antibiotics from the poultry supply chain by 2020. The company's goal is to ensure all products meet high quality and ethical standards. It aims to buy from farmers and suppliers who are committed to humane practices throughout an animal's lifecycle. Starbucks' milk is produced without the use of antibiotics, as required by the USDA Grade A standards. The company supports the removal of antibiotics from food production and has discussions on the issue at the executive level. Starbucks met its goal of eliminating antibiotics from the poultry supply chain in Canada and the U.S.

VCIM also started a dialogue with Royal DSM, a chemicals company with a focus on food and nutrition. The company had previously owned an antibiotic manufacturer and demonstrated leading practices in managing antibiotic resistance. We contacted the company to learn how it was managing AMR following the sale of this subsidiary and the company's expansion into animal food and nutrition. Royal DSM has taken a leading role in developing enzymes that farmers can use to replace antibiotics and is aligning its work with UN Sustainable Development Goals.

VCIM formally supported a resolution filed with Costco Wholesale by As You Sow, a U.S.-based shareholder advocacy organization that promotes corporate social responsibility. VCIM requested that Costco adopt an enterprise-wide policy to phase out the use of medically important antibiotics in its store brand meat and poultry supply chain. In response to the resolution, Costco updated its animal welfare policies to include antibiotic restrictions and a pledge to monitor compliance throughout the supply chain. According to the new Costco policy, antibiotics should be restricted to therapeutic use for the prevention, control and treatment of disease under the supervision of a licensed veterinarian.

VCIM is a signatory to 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 phase out routine, prophylactic antibiotic use across all supply chains with clear targets and timelines for implementation.



Consumer packaging waste

While estimates vary, it is believed that approximately 50% of plastic is used once and thrown away. Consumer packaging waste is a major contributor to the amount of plastic found in the world's oceans, including the Pacific garbage patch – a collection of garbage floating in the Pacific Ocean estimated to be more than double the size of Texas. Since many plastics can take hundreds of years to degrade, they are a major contributor to ocean pollution.

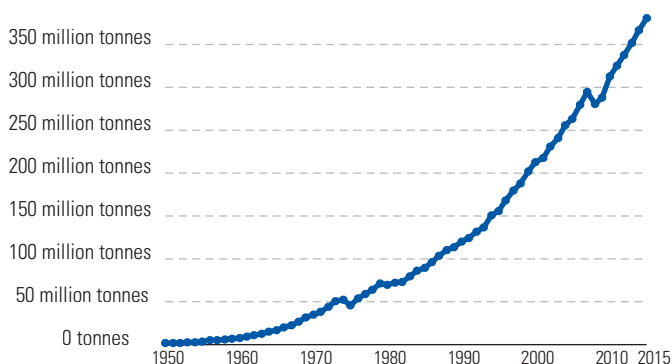
China, Thailand, Indonesia, Vietnam and the Philippines are responsible for more plastic waste disposal in the ocean each year than the rest of the world combined. The expansion of fast-service restaurants with disposable food packaging is of particular concern. For the Starbucks 2019 annual shareholder meeting, As You Sow filed a resolution requesting the company prepare a report on initiatives to increase the scale and pace of its sustainable packaging initiatives worldwide.



VCIM directly engaged with Starbucks to demonstrate support for the resolution. While Starbucks has great programs in North America and other locations for managing waste generated from operations, programs in other countries appear limited. The resolution received substantial support at the company's annual meeting, with 44% in favour and 56% voting against.

Global plastics production

Annual global polymer resin and fiber production (plastic production), measured in metric tonnes per year.



Source: Geyer et al. (2017).



Supply chain human rights

In May 2013, following the Rana Plaza tragedy that resulted in 1,100 deaths and 2,600 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. It covered a five-year period ending in May 2018. In total, 150,000 safety issues were identified at 1,700 factories and 90% have been remediated. The remaining major safety issues include fire protection systems and renovations.

Several companies and global unions have attempted to extend the Accord for three years to ensure adequate time to remediate problems and build confidence in the local inspection authority. Following a lawsuit filed by a factory that had its contracts 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 was allowed to operate for six more months. As of April 2019, the parties to the Accord, the government and the Bangladesh Garment Manufacturers and Exporters Association are in negotiations.



VCIM supported a statement by the Inter-Faith Center for Corporate Responsibility, calling on the government of Bangladesh to support the extension of the Accord and to provide sufficient time for a transition period in order to build inspection capacity. VCIM also joined other investors in dialogue with the Canadian High Commissioner for Bangladesh. The Canadian government provides financial support for International Labour Organization efforts to enhance the technical capacity of Bangladesh inspection authorities.



¹American Association of University Women, "The Simple Truth About the Gender Pay Gap," Spring 2018.

²These include college major, occupation, economic sector, hours worked, months unemployed since graduation, GPA, type of undergraduate institution, institution selectivity, age, geographical region and marital status.

³<https://climate.nasa.gov/effects/>

⁴Keyera Corp. and Peyto Exploration and Development are no longer held in the funds.

⁵Dr. Peter Nowak, "The Value of Neonicotinoids in North American Agriculture," AgInfomatics, January 2015.

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