



Vancity Investment Management Shareholder Engagement Report 2020 – Q1 2021



CEO Message

Thirty-five years ago, Vancity introduced the Ethical Growth Fund, Canada's first socially responsible investing (SRI) mutual fund. Since then, SRI investment has been an important part of our work to help build a clean and fair world around us, and Vancity Investment Management is an acknowledged leader in this field.

VCIM's shareholder engagement work has long been an important tool in achieving this goal, but now it is as urgent as it's ever been. The climate crisis continues to pick up pace, and addressing it will require a transition to a new, clean economic system. But we can't achieve this transition unless all of us can take part in it, and our new and clean economy will only be sustainable if it's also a fair economy.

This change will have to be systemic, and this is where VCIM's shareholder engagement becomes so critical. As more people, businesses, and political leaders accept the need to do much better as a society on our social and environmental impact, those who've been leaders in this space can really help bring others – and especially major national and global companies – along.

This is where shareholder engagement shines. Investors like you have the power to push large companies to change, and this report has many examples of how VCIM has done this on your behalf. This is a patient process, because a big ship can't turn around on a dime. The hardest part is to get the ship to start turning and then keep building momentum to accelerate the turn. That's what VCIM's shareholder engagement is doing, one victory at a time.

And VCIM's integrated ESG approach gives it a real strategic edge. In recent years, the ESG concept has become more widespread in the business community. But in doing so it has transformed into a business model – a guide for building a business that cares as much, or even more, about the impact it's having as about the profits it's delivering.

In this transformation, the lines between the 'E', the 'S', and the 'G' have blurred as both investors and businesses focus more on the common element underpinning all three: they're all about impact for people. VCIM's ESG approach, taking a holistic view of companies' performance along our 7 ESG criteria and focusing on how to use investing in a company as an opening to help it improve its overall impact, is ahead of the game. This is also key to the work of building a world that is both clean and fair, because it recognizes that we can't make real progress on environmental and climate impact without making real progress on social impact, and vice versa.

I think the coming years will be exciting ones for Vancity Investment Management's shareholder engagement and I'm looking forward to seeing what we'll achieve for people and our planet.

Christine Bergeron
President & CEO
Vancouver City Savings Credit Union

Executive Summary

The global pandemic has highlighted how important environmental, social and governance (ESG) factors are to financial performance. This provided further validation of VCIM's core philosophy, which 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. We have seen this play out during this difficult past year. Companies with strong supplier relations were better able to manage supply chain difficulties brought upon by the pandemic; companies with good employee relations could rely on a resilient workforce during tough times; and companies that had invested in community partnerships were better prepared to respond to social unrest and minimize the impacts on operations. Companies do not operate in a vacuum; they rely on and benefit from operating in a healthy society where all stakeholders' considerations are taken into account. Companies need a healthy environment, an inclusive society and strong governance structures to succeed and thrive in the long run. Shareholder engagement is one of the best tools to help drive this positive change and address the mounting environmental and social issues we face as a society.

VCIM was active throughout the past year using the tools of shareholder engagement to urge companies to act on topical and long-standing issues including employee health and safety, access to medicine, racial equity, and climate change.

VCIM engaged on 7 main topics: human health, human capital, human rights, ethical governance, racial justice, biodiversity, and climate change.

Over 2020 and Q1 2021 VCIM engaged 42 companies in one or more of 17 key areas within the main topics areas: Arctic oil and gas financing, climate disclosure, climate and agriculture, forced labour in the supply chain, human rights risk assessments, mining and indigenous rights, good governance, antimicrobial resistance, access to medicine, tobacco marketing, employee health and safety, environmental justice, systemic bias in financial services, biodiversity, chemicals and pesticides, living wage and paid sick leave provisions.

VCIM filed 9 shareholder resolutions of which 8 were ultimately withdrawn following focused discussions and commitments made by key decision-makers from each company. One resolution was brought forward to a vote at Chartwell Retirement Residences.

2020 VCIM engagement activities

42 companies engaged

9 shareholder resolutions filed

10 UN SDG goals advanced via engagement activities

13 investor statements of support, alliances or initiatives joined

SUSTAINABLE DEVELOPMENT GOALS



Over the most recent period, VCIM's engagement activities helped advance 10 goals on the United Nations (UN) Agenda for Sustainable Development. In total, the Agenda includes 17 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.

Table of Contents

Human Health



VCIM's Human Health engagements contributed to UN SDG **3 Good Health and Well-being** and **10 Reduced Inequalities**.

Access to Medicine	1
Anti-Microbial Resistance (AMR): Taking Action on the Next Health Crisis	2
Tobacco Marketing: Preventing Youth Smoking	3
Covid-19: Health & Safety in Medical Facilities	4

Companies engaged



Human Capital



VCIM's Human Capital engagements contributed to UN SDG **1 No Poverty**, **8 Decent Work and Economic Growth**, and **10 Reduced Inequalities**.

Paying a Living Wage: Reducing Inequalities	5
Advocating for Paid Sick Leave for Retail Employees.....	7

Companies engaged



Human Rights



VCIM's Human Rights engagements contributed to UN SDG **8 Decent Work and Economic Growth** and **16 Peace, Justice and Strong Institutions**.

Increasing Supply Chain Transparency to Protect Human Rights: Uyghur Repression and Forced Labour	8
Protecting Human Rights in Operations: Western Sahara and the Saharawi People	10
Mining Sector: Ensuring Indigenous Rights are Protected.....	11

Companies engaged



Ethical Governance



VCIM's Ethical Governance engagements contributed to UN SDG 16 **Peace, Justice and Strong Institutions**.

Board Chair Independence: Improving Governance in the Pharmaceutical Sector 12

Companies engaged



Racial Justice



VCIM's Racial Justice engagements contributed to UN SDG 3 **Good Health and Well-being**, 10 **Reduced Inequalities** and 11 **Sustainable Cities and Communities**

Environmental Justice:
Addressing Inequities in Pollution Exposure 13

Evaluating Potential Systemic Bias in Lending Practices..... 14

Companies engaged



Biodiversity



VCIM's Biodiversity engagements contributed to UN SDG 12 **Responsible Consumption and Production**, 14 **Life Below Water** and 15 **Life on Land**.

The Finance for Biodiversity Pledge:
Taking Action on the Biodiversity Crisis 16

Moving Towards Safer Chemicals:
Increasing Chemical Disclosures..... 17

Pesticide Use Reduction and Safer Chemicals Management..... 18

Companies engaged



Climate Change



VCIM's Climate Change engagements contributed to UN SDG **13 Climate Action**, **14 Life Below Water** and **15 Life on Land**.

Banning Project Finance for Arctic Oil and Gas Drilling 19

Increasing Climate Disclosures:
The Carbon Disclosure Project20

Reducing the Climate Footprint
of Agriculture 21

Companies engaged



Scotiabank®



BORALEX



RIO CAN



References 22



Human Health



Access to Medicine

Companies engaged: Gilead Sciences, CVS Health, Novo Nordisk, Sanofi

Affordable access to healthcare is fundamental to human progress and development. Medical breakthroughs in the 20th century have underpinned much of the economic development witnessed over this period. Before the polio vaccine, children were regularly paralyzed by the disease; measles infected more than 3 million in the U.S. annually and had death rates of up to 5% without medical treatment. Before the invention of antibiotics, a simple cut could lead to a bacterial infection and sepsis that would kill young and otherwise healthy adults. Noncommunicable diseases, such as diabetes, hypertension and cancer, are more prevalent today and can lead to the same lost productivity. As outlined in the World Health Organization's Guide to Identifying the Economic Consequences of Disease and Injury, poor levels of health are associated with lower savings rates, lower rates of return on capital and lower levels of domestic and foreign investment – all factors that can and do lead to reductions in economic growth. This doesn't even account for the suffering and misery that disease often inflicts on individuals and the emotional and mental impacts of losing loved ones.

While there are many areas where access to medicine is vital, given the ongoing pandemic, a focus area for VCIM has been access to Covid-19 vaccines and treatments. The Covid-19 variants that have appeared around the globe highlight how vital it is to ensure rapid worldwide distribution of Covid-19 vaccines. The longer Covid-19 is able to spread throughout populations, the more likely it is to develop new mutations that could render current vaccines ineffective.

The International Chamber of Commerce (ICC) has conducted comprehensive economic modelling that the global economy stands to lose as much as \$9.2 trillion USD. Furthermore, wealthy countries will bear

approximately \$4.5 trillion USD of those losses if vaccine nationalism continues to prevent low- and middle-income countries from accessing Covid-19 vaccines. Increased funding to the WHO's ACT-Accelerator project is needed: it currently faces a funding shortfall of \$27.2 billion. According to the ICC model, this funding would prevent the estimated GDP losses of \$9.2 trillion.

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. To help address the issue of vaccine access in low- and middle-income countries, VCIM signed the Global Investor Statement in Support of an Effective, Fair and Equitable Global Response to Covid-19 organized by ATMF to encourage governments and healthcare companies to promote innovative finance mechanisms along with cross-industry partnerships, equitable pricing strategies and voluntary licensing agreements to address issues related to Covid-19.

VCIM also joined with several investors to encourage pharmaceutical and healthcare companies to ensure that employees are protected, supply chains are maintained, and intellectual property is shared to accelerate drug development and availability. We encouraged companies to increase research and development funding for infectious diseases so that they are prepared to respond to future pandemics, as well as adopt access strategies for all drugs so that patients can access both Covid-19 treatments and vaccines, and other lifesaving medicines like insulin. VCIM engaged with Novo Nordisk, Gilead Sciences, Sanofi and CVS Health throughout 2020 and early 2021, given the importance of this issue at this time.



Anti-Microbial Resistance (AMR): Taking Action on the Next Health Crisis

Experts have been warning for years that a novel respiratory disease similar to the Spanish Flu in 1918 would inevitably emerge and that we need to be prepared and ready to respond rapidly. Unfortunately, these warnings were not heeded, and we are facing the full brunt of health and economic impacts of the Covid-19 pandemic.

Much like a viral pandemic, anti-microbial resistance (AMR) is a major health threat that experts have been warning about for years. Yet, we haven't taken needed action to address. AMR occurs when bacteria and other disease-causing microbes develop resistance to previously effective drugs – bacteria colloquially known as superbugs – rendering this standard treatment of infections impotent. This situation is a medical nightmare, wherein a single cut could lead to a fatal infection, an outcome that was common in the pre-antibiotic world.

- How AMR develops is simple: the more bacteria are exposed to antibiotics, the more likely they are to develop mutations that prevent antibiotics from working.
- The development of AMR occurs across multiple avenues: 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. As emerging markets embrace modern industrial agricultural practices, worldwide antibiotic use in animals is expected to increase by 67%.
- A wide range of medical procedures rely on effective antibiotic treatments, such as organ transplants, chemotherapy, caesarean sections and dialysis for end-stage renal disease.
- Modern medicine is threatened by AMR because antibiotics form the backbone of our medical system.
- In the U.S., the Centers for Disease Control (CDC) estimates that AMR annually causes at least 2.8 million illnesses and over 35,000 deaths; worldwide, deaths are estimated at 700,000.
- If we don't address this crisis, it is predicted that annual deaths from AMR will rise to 10 million and cost the global economy over \$100 trillion by 2050.

VCIM is a signatory to FAIRR, an organization focused on providing decision useful information on risks associated with intensive animal agriculture. FAIRR runs a collaborative investor network to engage with companies on these issues and has a program focused on the overuse of antibiotics in protein supply chains. As part of this engagement, 20 global food companies have been asked to limit the use of antibiotics in their global supply chains.

In 2020, VCIM joined the Investor Action on AMR initiative, a coalition between Access to Medicine Foundation, the FAIRR Initiative, the UN Principles for Responsible Investment (UNPRI) and the U.K. Government Department of Health and Social Care, organized to leverage investor influence to combat superbugs. As a member of this initiative, VCIM has made two commitments: 1) VCIM will work with FAIRR and Access to Medicine Foundation to adopt an AMR framework when making investment decisions and engaging with investee companies; 2) VCIM will undertake actions both within our investment portfolio and in the public sphere to help combat the growing threat of superbugs in humans, animals and the environment.

VCIM's first step in this initiative was hosting an educational webinar on the topic of AMR, which answered the questions of why it is relevant to investors and what investors can do about it. VCIM will be further expanding engagement through this initiative in 2021.

Tobacco Marketing: Preventing Youth Smoking

Companies engaged: Amazon, Apple, Disney, and Netflix

Tobacco has one of the worst industry reputations out there and deservedly so: It kills an estimated 6 million people a year globally and has contributed to the early death of two-thirds of smokers. There is simply no safe level of commercial tobacco use, so it should be no surprise that tobacco is and has been consistently excluded from SRI portfolios, including VCIM's. Yet the portfolio faces indirect exposure through media companies that produce film and television content, which includes tobacco imagery. Reports from the

United States Surgeon General and peer-reviewed academic research consistently state that on-screen smoking is a significant health threat, particularly for youth. The United States Center for Disease Control predicts that more than six million new youth smokers in this generation will emerge from exposure to smoking on screen. Should current rates continue, the U.S. Surgeon General projects that 5.6 million of these youth will ultimately die from tobacco induced cancers, heart disease, lung disease and stroke.

The presence of tobacco use in the media is a material ESG risk because it has drawn the attention of legislators and regulators.



Indeed, three United States senators wrote thirteen entertainment media companies in April 2019, seeking information on how many of their films and television shows featured tobacco imagery. The letter further pressured each company to take a position on recommended policies to protect children's health. Later that year, forty-three state Attorney Generals requested major U.S. companies to eliminate or exclude tobacco imagery in all future streamed content for young viewers, as part of their ongoing enforcement of the 1998 Master Settlement Agreement with U.S. tobacco companies.

In addition to material ESG risks, VCIM takes seriously the role that media companies play in the causal chain of smoking adoption among youth. Throughout 2020, VCIM, in partnership with other institutional investors, engaged 8 media companies exposed to this issue, as well as 4 companies held in the portfolios: Amazon, Apple, Disney, and Netflix.

Disney disclosed to us that it is in a long process of reviewing all Disney Plus content; where it contains tobacco (and other notable concerns) it will be labelled. The company stated that it was considering recommendations sent in our investor letter: a revision to its tobacco policy, which would include all Disney's film studio labels, as well as Disney Plus. We encouraged all companies in the engagement to adopt best practices for the portrayal of tobacco in entertainment to protect children's health and mitigate regulatory risks.

Covid-19: Health & Safety in Medical Facilities

Companies engaged: CSL Industries

During the pandemic, personal protective equipment used by front-line healthcare workers was in high demand, particularly N95 masks. Unlike surgical masks, N95 masks are designed to protect healthcare workers and patients from the transfer of microorganisms, body fluids, and particulate material. Given that a primary method of transmitting Covid-19 is through the oral expulsion of small water droplets, N95 masks have been a crucial first line of defense in clinical settings. However, manufacturers of N95 masks could not keep up with the exponential demand. Hospital supply chain officers saw their N95 orders cancelled, and they suddenly found themselves competing for N95s in a mess of bidding wars and price gouging. Yet the worst of all scenarios emerged: opportunists stepped in to take advantage of the situation by selling knockoff masks that did not meet health regulator standards for N95s and therefore could not provide the protection needed in these clinical settings. Now in addition to having orders cancelled, supply chain officers had to terminate contracts upon realizing that they had been defrauded. Unfortunately, many health care facilities were so desperate while scrambling to secure enough N95s for their front-line workers that they fell prey to the opportunists. Although we understand the unprecedented challenges experienced by companies during the pandemic, it neither absolved them from their duty to care nor meeting a standard of care that protects healthcare workers and patients.

VCIM scrupulously monitored companies within the portfolio for this issue during the pandemic to mitigate associated ESG risks; CSL was one such company we identified. In 2020, we made efforts to engage CSL on allegations that it may have provided non-compliant N95 masks to front-line workers, pressuring the company to disclose answers to questions such as the following: 1) What health and safety protocols were implemented to prevent the spread of Covid-19; 2) If protocols were implemented, how did the company monitor adherence; and 3) Did CSL secure a supply of N95 masks for all its blood donor facilities? As of the date of this report, the company has not responded.





Human Capital



Paying a Living Wage: Reducing Inequalities



Companies engaged: NFI Group and Chartwell Retirement Residences

Socially responsible companies contribute to the economic well-being of the communities in which they operate by providing direct and indirect employment. VCIM believes that paying wages at a level that supports a family at a reasonable standard of living increases social capital, creates value and strengthens social impacts.

Over the past decade, public campaigns have evolved to ensure the lowest paid workers and contracted service employees receive sufficient wages to meet basic needs and support families. These wages are defined as a Living Wage and are set at an hourly rate calculated on a metropolitan, regional or provincial basis. The rate is calculated annually and based on a basket of expenses including food, clothing, shelter, transportation, childcare and other household expenses. The basket of expenses does not include paying out existing debt, saving for home ownership or retirement. It is a frugal wage covering the basic costs of subsisting in a specific municipality. The methodology, established by the Canadian Centre for Policy Alternatives, is based on the wages needed to support a family of four, with two full-time wage earners, plus two children – age four and age seven – to represent the cost of childcare in Canada. A Living Wage rate for a single-income earner is very close to the wage rate based on the family of four, or higher. It is assumed that single-income earners do not incur childcare costs but that they lose the cost efficiencies in housing and food that a small family might gain.

Unlike the minimum wage, which is mandated by government regulation, the Living Wage is a voluntary commitment and therefore demonstrates a high level of corporate social responsibility. To be considered as a certified Living Wage Employer, the wage must be the minimum paid to all full-time, part-time and

casual employees, including base wages and non-mandatory benefits. It must also cover employees of suppliers and contractors who provide a set number of hours of labour per year to the employer, such as janitorial services, security and other labour supports that might be on contract. In the U.K., many financial service providers have adopted Living Wage policies, including Barclays, Goldman Sachs, HSBC, Lloyds Bank, Standard Life, Citi Bank, Morgan Stanley, Aberdeen Asset Management, Aviva, and KPMG. In Canada, Vancity Savings Credit Union is the largest certified Living Wage employer. Several credit unions, municipal governments (including the City of Vancouver), small businesses, unions and non-profit organizations have also been certified. More than 100 municipalities in the U.S., including Los Angeles and New York, have adopted living wage policies, as well as Canadian cities, such as Vancouver and Winnipeg.

Paying a Living Wage is beneficial for several reasons. It helps attract and retain staff and significantly reduces the costs associated with recruitment and retention. It enhances employee morale, improves productivity, improves corporate reputation and provides differentiation in the market for new recruits and graduates. From a societal perspective, it increases social capital and contributes to sustainable economic growth through increased spending and demand by low wage earners. Workers with families who earn a Living Wage are more likely to be able to provide a more enriched environment for their children than those who do not, thereby increasing their chances of higher levels of academic achievement. Furthermore, Living Wage workers can also dedicate more time to learning new skills and participating in community and civic life.

In 2021, VCIM filed a shareholder resolution with NFI Group requesting the NFI Group Board of Directors to undertake a review of and then report to shareholders on the feasibility, cost and benefits of implementing a Living Wage policy that would cover employees, suppliers and contractors. Because NFI Group's principal customers in North America are municipalities and other local transit authorities that rely on funding from various levels of government, it was important that NFI Group evaluate its alignment with living wage policies. VCIM subsequently met with NFI Group for a productive dialogue and reached an agreement that led to a withdrawal of our resolution. The company agreed to conduct a Living Wage analysis for its transit bus production facilities in North America over the 2021-2022 period and provide disclosure of this intention in NFI Group's upcoming 2020 ESG Report.

In addition to engaging NFI Group on this issue, VCIM also filed a Living Wage resolution with Chartwell Retirement Residences in 2021. VCIM proposed that the Chartwell Board of Directors undertake a review and report to shareholders, on the feasibility, cost and benefits of Chartwell Retirement Residences implementing a Living Wage policy covering employees, suppliers, and contractors. VCIM and Chartwell were not able to come to an agreement on the need for a living wage analysis. Chartwell stated in our discussions and in the Management Information Circular that they opposed it because 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 presented the Living Wage resolution at the Chartwell annual meeting of shareholders.

VCIM believes a Living Wage analysis provides a factual basis for evaluating the fairness of the company's compensation policies relative to the lowest paid full-time employee by considering all forms of compensation, including benefits above statutory requirements. Undertaking a corporate-wide review of compensation practices to ensure employees are financially able to fulfill basic needs is an efficient use of company resources and will provide shareholders with the assurance that Chartwell is a responsible employer. Moreover, ensuring all employees are fairly compensated will result in a more equitable workplace.

VCIM has joined a collaborative investor group led by UNI Global Union (UNI), which is focused on the long-term care sector; through UNI, VCIM is a member of a sub-group that is working with other responsible investment groups to further engage Chartwell on human capital issues.

Advocating for Paid Sick Leave for Retail Employees

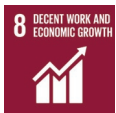
Companies engaged: CVS Health

The Covid-19 global outbreak forced companies to restructure their business operations in a matter of weeks, 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. Businesses providing essential goods and services had to remain operational while ensuring the protection of employees and customers from the virus. Under these circumstances, a key component of risk mitigation is the provision of paid sick leave to ensure that potentially contagious workers are incentivized to isolate. There have been concerns that many full-time and part-time employees, as well as temporary and contract workers, were particularly vulnerable because they did not have paid sick leave benefits.

For 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 faced with a dangerous moral dilemma: stay at home sick without pay, suffer the financial consequences and prevent further transmission, or attend work with pay but increase the risk of spreading the virus.

Throughout 2020, ESG leaders stepped up to meet this challenge, often responding faster than governments with policies and provisions that protected their workforce and, by extension, the public. These ESG leaders undertook 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. In 2020, VCIM began engagement with CVS Health by asking the company to make the temporary Covid paid sick leave policy permanent. CVS Health disclosed that it had recently completed a review of its total compensation offering, which included benefits such as a 14-day paid quarantine, paid sick leave during the pandemic and a longer unpaid leave of absence that was broad in scope and up to one year in duration. VCIM co-filed a resolution with CVS Health that requested a review of paid sick leave by the CVS board to determine the feasibility of making the policy permanent.





Human Rights

The impact of a company's operations on human rights, whether through direct operations or through the supply chain, is a high priority area in our ESG analysis. The global economy is interconnected and complex, presenting unique challenges between countries that have different values, needs and goals, as reflected in their regulations and inconsistent enforcement of the United Nations' 1948 Universal Declaration of Human Rights. Companies have an obligation to identify potential human rights violations that may be occurring within their value chain and rectify and eliminate any human rights violations found thereafter. However, it is challenging for companies to meet these obligations because countries have different rules, which makes navigating the geopolitical environment especially difficult. Notwithstanding, companies that are undertaking this difficult work throughout the value chain are not only doing the right thing but also mitigating increasing regulatory and reputational risks.

Increasing Supply Chain Transparency to Protect Human Rights: Uyghur Oppression and Forced Labour

Companies engaged: Cisco, Seagate Technology, Adidas, Inditex, Nike, Amazon, Apple, Alphabet, Microsoft, Sony and Siemens Gamesa.

The Uyghurs, an ethnic Turkic and religious minority Muslim group from the Xinjiang Uyghur Autonomous Region (XUAR) located in northwestern China, have been subjected to severe state-sponsored oppression for several decades. Prior to 1949, the year when XUAR was annexed by China as part of the Chinese communist cultural revolution, XUAR was independent for a brief period and called East Turkestan. The Uyghurs are ethnically and culturally more similar to populations in Central Asia than to the Han Chinese population found throughout most of China. The Chinese government has been undertaking a systematic

campaign to subjugate the Uyghurs, exemplified by efforts to assimilate them with the majority Han Chinese population under the guise of preventing terrorism.

- The number of Uyghurs detained and unwillingly transferred to “reeducation” camps since April 2017, is legion. These camps are modern day gulags where detainees are subjected to prison-like conditions, brainwashing and forced labour. In 2019, the New York Times obtained over 400 pages of internal Chinese documents confirming the existence of these camps.
- It is estimated that between 800,000 and 2 million Uighurs and other Muslims have been detained out of a population of approximately 11 million; those that haven't been detained have been subjected to intense surveillance, religious restrictions and forced sterilizations.
- As outlined by the Australian Strategic Policy Institute's (ASPI) report on forced labour in the region, it appears that the Chinese government is also transferring Uyghurs out of the Xinjiang region to work in factories throughout China. There are indications that these transfers are not voluntary despite the Chinese government claiming otherwise.
- In January 2021, the U.S. became the first country to declare China's oppression of the Uyghurs amounts to genocide. Other Western nations have followed suit including Canada, the U.K., Belgium and the Netherlands.
- The U.S. Government is in the process of passing The Uyghur Forced Labor Prevention Act, which would place restrictions on imports from China that cannot be confirmed to be free of forced labour with a targeted focus on imports from XUAR.
- Commodities sourced from XUAR that are particularly concerning, due to their ubiquitous presence in the global supply chain, include cotton, coal, sugar, tomatoes and polysilicon.
- Companies in the food, apparel and technology sectors face the biggest risks associated with XUAR human rights abuses in supply chains.
- Even when goods are manufactured elsewhere, a company could be unknowingly exposed through lower tier suppliers of raw materials, notably cotton in apparel and polysilicon in the technology sector.

It is important to note that addressing forced labour in the global supply chain is extremely difficult. The global supply chain is layered with multiple tiers, and each one is deeply embedded in China, including XUAR, which means that most companies are likely exposed to forced labour in the lower tiers of their supply chains. Moreover, forced labour in XUAR is being orchestrated by the Chinese government through policy, and it has given every indication that it intends to continue. Companies are simply not able to directly confront China on this issue without putting their interests at risk. Those that have dared to even acknowledge the question of forced labour in XUAR publicly have drawn the ire of the Chinese people, materializing into boycotts that have been further supported by government campaigns.

Given the widespread and systemic nature of this issue, coordinated engagement has been undertaken to strategically address this issue across sectors. VCIM, along with 55 other organizations, is a signatory to the Investor Alliance of Human Rights (IAHR), as well as Know The Chain (KTC) to engage with 52 companies with high potential exposure. IAHR is a collective platform for responsible investment that is focused on connecting and supporting investors who are committed to respecting human rights and engaging with companies on human rights issues. KTC is an initiative that publishes



resources and advocates for supply chain transparency, the latter of which is a pivotal component to identify and prevent human rights violations.

VCIM's engagement on XUAR human rights is ongoing. We are encouraging companies to improve their supply chain mapping and transparency, along with increased coordination within sectors given the widespread and systemic nature of the human rights violations. VCIM is engaging with Cisco, Seagate Technology, Adidas, Inditex, Nike, Amazon, Apple, Alphabet, Microsoft, Sony and Siemens Gamesa on this issue, and we plan to expand to other companies in the upcoming year.

Protecting Human Rights in Operations: Western Sahara and the Saharawi People

Companies engaged: Siemens Gamesa

Western Sahara is a disputed region in northwestern Africa: Morocco claims the region was part of Morocco prior to Spanish colonization, while the Polisario Front, which represents the indigenous Saharawi population, claims that the region should be a separate sovereign state. Western Sahara is rich in coveted natural resources, containing the world's largest known reserves of phosphate, a key component in fertilizers, and productive fisheries that are major contributors to Morocco's economy. A civil war between the Polisario Front and Morocco officially ended with the establishment of the UN Mission for the Referendum in Western Sahara (MINURSO) in 1991, but 30 years later, the proposed referendum on independence has still not occurred. The Berm, a 2700 km long sand wall, remains in place to separate the region controlled by the Polisario Front from the Moroccan controlled region and includes some of the densest land mine concentrations in the world. Morocco has retained control of the resource rich coast, controlling most phosphate reserves and fisheries. With much of the Saharawi population displaced as a result of years of conflict and the United Nations recognizing that the Saharawi possess the right to a referendum on independence from Morocco, resource extraction in the Western Sahara undoubtedly poses risks to the human rights of the Saharawi people.

VCIM engaged Siemens Gamesa to discuss the impact that its operations in Western Sahara is having on the human rights of the Saharawi people. Siemens Gamesa's involvement in Western Sahara is limited to delivery, installation, commissioning and servicing of wind turbines that power electrical grids in Western Sahara. We led dialogues with the company discussing its involvement in Western Sahara and how Siemens Gamesa was managing human rights risks and ensuring that their operations were not contributing to human rights violations. Siemens Gamesa outlined that, prior to entering new contracts, the company conducts detailed environmental and social impact assessments in line with the company's human rights policy. VCIM asked Siemens Gamesa to publicly disclose its human rights assessments for operations in Western Sahara that it had commissioned in conjunction with other project partners. We encouraged Siemens Gamesa to conduct ongoing evaluations, considering the ongoing human rights risk and complicated geopolitical nature of the issue.

Mining Sector: Ensuring Indigenous Rights are Protected

Companies engaged:
Nutrien and Agnico-Eagle

Mining is an essential sector, providing the fundamental materials that underpin our modern economy. Everything from refrigeration needed for preserving food to the technology that powers modern communication requires mined materials. The clean energy transition relies on a number of materials; for example, lithium is used for electric car batteries and cadmium is used for solar panels. It is estimated that just replacing the 1.4 billion internal combustion engine vehicles currently in operation, not including other renewable infrastructure, would require 40 times the current production of minerals, such as cobalt and lithium.



Mining operations occur around the globe and frequently operate in regions with weak protections for human rights. Mines have a significant impact on local communities, which are often Indigenous populations. Therefore, the management of Indigenous rights, in the context of human rights, is vital for companies operating in the mining sector. There are heightened risks when companies do not conduct sufficient community consultation and fail to obtain the social license from local populations to operate.

In May 2020, a mining company (which is excluded from the portfolios) blasted two Indigenous rock shelters in Juukan Gorge, located in the northwestern region of Australia. The origins of these rock shelters are ancient, dating back 46,000 years, and held cultural significance for the Indigenous peoples from that region. Although the project was approved by the Australian government, there was widespread opposition by Pilbara Indigenous populations. The company's limited response and consultation with local populations led to severe blowback: The CEO and other senior executives were forced to resign, and an Australian parliamentary inquiry halted further resource development at the site, additionally ordering the company to restore the ancient caves. Following this incident, The Church of England Pensions Board and the Australian Council of Superannuation Investors (ACSI) launched the Investor Engagement on Indigenous Community Rights and Social License. VCIM has joined the initiative, which aims to work with the mining sector to support verifiable outcome-oriented processes and standards for community engagement. These should be in place to ensure that mining companies develop true partnerships with First Nations and Indigenous peoples so that they obtain and maintain their social license to operate. We want to ensure that human rights policies and best practices are implemented by mining companies held in our fund throughout all stages of their operations. VCIM supported engagement with Nutrien and Agnico-Eagle, receiving detailed information from both companies on how they manage these risks. Both companies have strong programs in place, and we plan to continue this engagement in the coming years to drive the adoption of best practices across the sector.



Ethical Governance

Board Chair Independence: Improving Governance in the Pharmaceutical Sector

Companies engaged: Gilead Sciences

Shareholders elect a company's Board of Directors to represent their interests and provide independent oversight of management. The Board Chair leads the Board of Directors and plays a key role in fostering true dialogue and the benefits that come along with independent oversight. However, when the roles of CEO and Board Chair are combined, the ability of the Board to provide this independent oversight can be compromised. Ideally, the Board should challenge company strategy and find potential holes that the company needs to address. When the CEO is also the Board Chair, there is an inherent conflict of interest, and the ability to question management is diminished if not absent.

The need for independent oversight is crucial in the pharmaceutical sector, given the highly regulated nature of the industry. Steep increases in drug prices in the U.S., often surpassing inflation, have led to multiple U.S. Senate committee investigations into the pricing practices of the industry. Increases such as this poses material regulatory and reputational risks to pharmaceutical companies as the U.S. is the biggest market for pharmaceuticals. Global pharmaceutical sales were estimated at over \$1 trillion in 2020 with \$514 billion of that in the U.S. alone. This industry is extremely vulnerable to drug price regulation because the high profit margins of the sector are enabled through governmental protection of intellectual property and many drugs are purchased by governments. These are the systemic risks that Independent Board oversight can help manage and mitigate.

VCIM is a member of the Investors for Opioid and Pharmaceutical Accountability (IOPA) coalition that advocates for corporate governance reforms in the pharmaceutical sector. As part of VCIM's work with the IOPA, we co-filed a shareholder resolution with Gilead Sciences, asking the company to adopt an Independent Chair Policy to require that the Chair of the Board of Directors be an independent member of the Board. VCIM believes that an independent Board Chair would provide better oversight of regulatory risks and ensure that Gilead Sciences' drug pricing strategies benefit both the company and patients in the long run. This proposal was brought to a shareholder vote at the company's Annual General Meeting.



Racial Justice



Environmental Justice: Addressing Inequities in Pollution Exposure



Companies engaged: Nutrien, Johnson Matthey, Cascades, CCL Industries, Royal DSM and Vulcan Materials

Environmental Justice (EJ) is defined by the U.S. Environmental Protection Agency (EPA) as “the fair treatment and meaningful involvement of all people regardless of race, colour, national origin, or income with respect to the development, implementation and enforcement of environmental laws, regulations or policies.”

The EJ movement crystalized in the 1980s in response to the unequal burden of adverse health and environmental impacts faced by communities of colour. A major component of systemic racism is the predominance of polluting factories located in communities of colour. Black Americans are 75% more likely than white Americans to live in fence-line communities: residential areas directly adjacent to and affected by a company, industrial or service facility’s operations that create negative impacts such as noise, odor, traffic and chemical emissions.

St. James Parish in Louisiana, also known as Cancer Alley, is a stark example of a fence-line community. In the 1950s, during an era when segregation was enforced, many petrochemical and chemical companies established their production facilities in this region predominantly populated by Black communities to avoid pushback from wealthier white majority cities. Sadly, the story of systemic racism in Cancer Alley is not unique. Marginalized communities across North America, particularly those that are comprised of people of colour, are often found closer to industrial operations and therefore exposed to greater levels of

pollution. With less political power than their wealthier counterparts, these communities have remained subject to this injustice.

The concept of Environmental Justice extends far beyond the borders of the United States despite its definition originating from EPA regulation. Material issues related to EJ are present in Canada, and many First Nations communities withstand the worst of polluting industries. For example, mercury dumping from upstream pulp and paper mill operations in the 1960s continues to affect the Grassy Narrows First Nation in Northern Ontario (Asubpeeschoseewagong First Nation): approximately 90% of the community suffers from symptoms of mercury poisoning, which include neurological problems such as tremors, numbness in the extremities, seizures and cognitive delays. Furthermore, mercury contamination is still present in the environment, and it is practically impossible for the community to avoid. Decades after the dumping, children today still suffer. Action needs to be taken to address this legacy of systemic racism to prevent this from ever happening again.

Although companies often inherit facilities with these legacy issues, it is the responsibility of current owners to ensure they mitigate impacts and implement systems to prevent additional harm. VCIM is working with the Investor Environmental Health Network (IEHN) to engage with chemical companies across the S&P 500, as well as with VCIM portfolio holdings. VCIM has requested that Nutrien, Johnson Matthey, Cascades, CCL Industries, Royal DSM and Vulcan Materials provide increased disclosures on the life cycle impacts of substances used to produce or contained in their products. We have asked the companies to disclose development progress towards safer chemicals and processes and to disclose how their disaster preparedness plans are implemented to protect communities living near manufacturing facilities. We are encouraging companies to raise the issue of Environmental Justice impacts at the board level and ensure regular board oversight and management of this risk.

Evaluating Systemic Racism in Lending Practices

Companies engaged: TD, Scotiabank and RBC

In recent years, Western nations, particularly those that colonized others, have been forced to reckon with historical racism that has continued to persist today. Some academics have pointed to inequities between whites and their minority counterparts, notably Black and Indigenous peoples, within the banking system as an example of this racist legacy, one that has manifested into an organized system intended to ensure such disparities. Indeed, much of the public discourse occurs within an American context, but Canada has its own unique past to account for. Awareness of the generational effects of colonization experienced by Indigenous people has increased in Canada and is now a salient feature of the modern Canadian zeitgeist.

On the morning of December 20, 2019, Maxwell Johnson woke up to take his 12-year-old granddaughter to open her first bank account. Mr. Johnson's granddaughter played basketball, and he wanted to be able to easily transfer her money when she was on the road competing. Beyond it being a significant milestone for Maxwell's granddaughter, his business at the Vancouver BMO branch was unremarkable. Yet what the Indigenous grandfather and granddaughter experienced would leave a traumatic memory that both would rather forget. After providing all the necessary documents to the attending BMO employee, the BMO branch manager called the RCMP to report a fraud in progress at the branch. Maxwell and his granddaughter found themselves in handcuffs shortly thereafter. It took one hour for police to determine that the two were not trying to commit fraud and release them, but the wound inflicted would take longer to heal. Mr. Johnson believes that what happened was racial profiling and has since filed a human rights complaint.

Mr. Johnson's encounter should give us pause and force us to contend with the myriad of ways that systemic racism can manifest. Aside from an abundance of documented incidents where minorities seeking

financial services have been treated unfairly, researchers have found evidence of minorities in Canada encountering structural barriers when trying to access financing. Unlike the United States, Canada does not compel its banks to disclose lending and service records by race, gender, income, and neighbourhood. The Community Reinvestment Act (CRA) in the United States ensures that banks are held accountable for their practices by requiring them to take corrective actions when discrimination occurs. Furthermore, the CRA provides a standardized framework from which discrimination can be objectively analyzed, described and understood. The lack of a Canadian CRA analog leaves banking regulators deprived of the necessary data needed to effectively address discrimination within Canada's banking sector. Although there is currently an effort to pressure members of Parliament to create such legislation, it is unclear whether those efforts will materialize into the desired outcome. What is clear is that in the absence thereof, ESG portfolio managers must be proactive in obtaining information from Canadian banks on their business practices that might lead to discrimination and, by extension, systemic racism.

VCIM's portfolio holds three of the largest five Canadian banks (TD, Scotiabank and RBC), and in 2020, we sought to engage them on the issue of racial bias in lending. Specifically, the purpose of our engagement was to determine what policies and procedures were in place to mitigate associated material and reputational risks. We exercised our shareholder rights under the Bank Act of Canada by submitting formal proposals to the three banks, requesting that their board of directors undertake a review and report to shareholders on underwriting practices, lending policies and strategies that address systemic racism in manual and computer-based retail lending practices. The proposals led to separate meetings with the banks where each of them addressed our concerns. Although TD, Scotiabank and RBC are separate entities with different strategies, there were commonalities in their approach to mitigate risk on this issue. VCIM was satisfied with the actions taken by the respective banks; therefore, the resolutions were withdrawn. TD, Scotiabank and RBC have committed to continue dialogue with VCIM and to continually evaluate their systems for opportunities to improve the monitoring and mitigation of this risk.





Biodiversity



Biodiversity is the term used to describe the multitude of animals, insect, plants, microbes and other living beings that inhabit the planet. Earth is inhabitable because of this biodiversity; if it is not protected, humanity faces a bleak future.



The Finance for Biodiversity Pledge: Taking Action on the Biodiversity Crisis

Biodiversity losses have been accelerating over the last century. The Intergovernmental Science-Policy Platform on Biodiversity Ecosystem Services (IPBES) Global Assessment on the state of biodiversity in 2019 has highlighted significant concerns about current and future losses.

- Since 1900, the average abundance of native species in land-based habitats has fallen by at least 20%.
- 75% of terrestrial environments and 66% of marine environments have been severely altered by human activity.
- There has been a 47% reduction in ecosystem extent compared to estimated baselines; it is predicted that this decline will continue at 4% per decade without improvements.

There are a multitude of factors causing these biodiversity losses, and most are due to human-induced changes to the environment. Some of these changes include the following: Industrial agricultural systems that rely on monocrops, soil tillage, and heavy pesticide use; urbanization and deforestation that reduces habitat; and environmental pollution including plastics and nutrient run-off from fertilizers. Climate change is yet another major factor expected to hurt biodiversity. Even if we meet Paris targets – i.e., we limit warming to no more than 2 degrees – 5% of species are at risk of extinction due to climate change alone; this proportion rises to 16% in a 4.3-degree scenario.

Well-functioning ecosystems collectively provide tangible and intangible benefits to humanity that are estimated to be worth double the world's GDP:

- Vital medicines – e.g., 70% of cancer drugs are natural or synthetic products derived from nature.
- Coral reefs and mangrove swamps provide coastal areas with protection from cyclones and tsunamis, mitigating financial costs of material losses, and natural habitats that support fisheries.
- Food Supply – e.g., 75% of global food crops rely on animal pollination
- Forests and peatlands serve as carbon sinks and help reduce carbon emissions in the atmosphere.

Furthermore, it is predicted that continuing to conduct “business as usual” could cost the global economy \$10 trillion by 2050. It is imperative, therefore, that we place a financial value on the services that biodiversity and healthy ecosystems provide, much like carbon pricing is helping ensure that the financial impacts of carbon emissions are incorporated into investment decisions. The Taskforce for Climate Related Financial Disclosures (TCFD), led by Mark Carney and Michael Bloomberg, helped accelerate corporate and government action on climate related risks. The Taskforce for Nature Related Financial Disclosures (TNFD) was launched this year and is expected to accelerate corporate and government action on biodiversity related risks. As highlighted, there are many causes of biodiversity losses, and tackling this issue will require coordinated action across sectors. VCIM has long recognized biodiversity loss as a major threat to the planet. We have previously engaged with companies held in our funds on issues such as plastic pollution, neonicotinoids (insecticides that harm pollinators and other beneficial insects and microbes), and the use of glyphosates, more commonly known as Round-Up. To accelerate VCIM's work on biodiversity related risks, VCIM signed the Finance for Biodiversity Pledge prior to its launch in September 2020. The Finance for Biodiversity Pledge brings together leading financial institutions dedicated to the protection and restoration of biodiversity and ecosystems through targeted financing, investments and engagement. VCIM is working with other Finance for Biodiversity Pledge members to devise broad engagement strategies that will target companies with the largest impacts on biodiversity.

Moving Towards Safer Chemicals: Increasing Chemical Disclosures

Companies engaged: Church & Dwight

The Chemical Footprint Project (CFP) aims to standardize the practice of chemical footprinting, whereby companies assess the total mass of chemicals of high concern used throughout operations and in products sold. The CFP aims to transform global chemical use by measuring and disclosing data from businesses about their progress to safer chemicals. This provides a useful framework for companies to reduce harmful chemicals that impact environmental and human health and contribute positively to biodiversity.

VCIM engaged with Church & Dwight on the issue of chemical management and encouraged the company to augment its existing efforts to address harmful chemicals in its products by responding to the CFP. Following our discussion, Church & Dwight committed to increasing disclosure in line with the Sustainable Accounting Standards Board's (SASB) Chemicals of Concern (CoC) indicators in their 2020 Sustainability Report and will fully disclose to the CFP in 2022. The SASB CoC indicators are aligned with the CFP survey; therefore, this first step will help the company build out the capacity to measure, track and disclose chemical use and progress through the CFP. This will help Church & Dwight's stakeholders ensure that the products produced by the company are at the leading edge of chemical safety.

Pesticide Use Reduction and Safer Chemicals Management

Companies engaged: Amazon, CVS Health and Costco

VCIM has joined the Investor Environmental Health Network's Initiative for Pesticide Use Reduction and Safer Chemicals Management. Through this group, we engaged with 13 companies in total and 3 companies specifically held in the portfolios – Amazon, CVS Health and Costco. We encouraged these companies to implement the following: 1) a management strategy with policies and executive oversight; 2) a chemical inventory of the chemicals used in a company's products and supply chains; 3) establishing baseline data 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) publicly disclosing the results of these processes.

Taking these actions demonstrates responsible chemical management. These are the first steps towards improving the chemical composition of pesticides and reducing biodiversity losses associated with harmful chemicals in the environment.





Climate Change



Banning Project Finance for Arctic Oil and Gas Drilling

Companies engaged: TD and Scotiabank



The Arctic is warming at double the rate of the rest of the globe. As a result, this region is expected to face severe ecological disruptions. Sea ice coverage has declined by 40% since 1979, and without changes, the Arctic is expected to be ice-free by the summer of 2030. Indeed, the ecological impact from melting sea ice has already harmed wildlife that is adapted to survive in an environment where sea ice is a main feature. Polar bears, for example, require sea ice to mate and hunt: As a tertiary consumer, the presence of sea ice is crucial to accessing food, and the absence thereof presents a serious obstacle to reproduction. Moreover, adverse effects of melting sea ice are not limited to only wildlife but also extend to humans. During the winter, sea ice provides infrastructure to Arctic communities in the form of ice roads, which are relied upon to transport vitally needed supplies. Annual supply replenishment is done at this time of year because transport by ice roads is significantly cheaper than by plane, an alternative that is simply too cost prohibitive for many of these small communities. As the intensity of melting sea ice increases, these roads become unsafe to use, leaving communities, many of which are Indigenous, deprived of fuel, food and building materials to the extent that it is a matter of life and death.

There has long been an appetite for oil and gas exploration in the Arctic prior to the moratorium. Recognizing the need to protect this ecologically sensitive area, both Canada and the United States implemented a five-year moratorium to halt new exploration in 2016. The election of Donald Trump ushered in successive moves to remove the moratorium, beginning with a provision embedded in the Tax and Jobs Act of 2017 that directed the U.S. Bureau of Land Management to conduct two lease sales by 2024. The first of the lease sales was conducted during the final days of Trump's presidency, just two weeks before Joe Biden became president. Shortly after the first lease sale, however, the political winds of change

blew, bringing with it a sigh of relief. In one of his first acts as president, Joe Biden issued an executive order to immediately halt all activities related to the Coastal Plain Oil and Gas Leasing Program by temporarily reinstating the moratorium.

VCIM has been particularly concerned about the financing of Arctic exploration projects, as the portfolio holds several large banks that are exposed to this issue. Financial institutions funding these projects are exposed to material environmental, reputational and stranded asset risks – such was the case with the Dakota Access Pipeline. Several large financial institutions have been cognizant to recognize this risk, having restricted or banned financing for Arctic oil and gas exploration.

VCIM had previously filed shareholder resolutions with both Scotiabank and TD that asked their boards to review the feasibility of a moratorium on Arctic oil and gas financing. After several productive discussions, both companies agreed to present each resolution to their respective boards and ensure their boards are informed of the heightened risks associated with financing Arctic oil projects. With commitments from Scotiabank and TD to report back to VCIM, the dialogue continued. Our shareholder engagement on this issue ultimately resulted in each bank instituting its own moratorium, effectively banning future Arctic financing and advisory services across their organizations.

Increasing Climate Disclosures: The Carbon Disclosure Project

Companies engaged: Aritzia, Boralex, Chartwell, Colliers, Constellation Software, Dollarama, Element Fleet Management, RioCan, TMX, and Waste Connections

The Climate Disclosure Project (CDP) is the world's largest investor-led initiative, supported by 590 institutional investor signatories with a combined US\$110 trillion in assets. The CDP provides a disclosure questionnaire, which is fully aligned with recommendations by the Taskforce on Climate-related Financial Disclosure, and a central repository for completed disclosures. Disclosures are then evaluated by the CDP according to independent scoring methodology and made publicly available on its website. Over the past two decades, CDP's global disclosure system has become the gold standard used by investors, companies and governments to identify and manage climate-related risks and opportunities.

VCIM regularly audits its portfolio throughout the year to identify companies that do not disclose to the CDP. In 2020, VCIM engaged Aritzia, Boralex, Chartwell, Colliers, Constellation Software, Dollarama, Element Fleet Management, RioCan, TMX, and Waste Connections to improve climate-related disclosures by reporting to the CDP. Through our engagement process, we discovered that Aritzia was planning to submit its first CDP disclosure and has since done so. We also held meetings with Constellation Software and Waste Connections, promoting the benefits of disclosing to the CDP. Although Waste Connections decided not to disclose to the CDP, it highlighted that it had been using the GRI and SASB reporting frameworks in its annual report, which are a well-recognized sustainability frameworks that encompass all aspects of ESG. Waste Connections communicated that it had performed an in-depth analysis on disclosing to the CDP but determined that its resources would have greater impact on improving the wages of its workers, an act that we support, as it directly mitigates risks associated with human capital management.

Reducing the Climate Footprint of Agriculture

Companies engaged: Saputo

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 emissions. 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 1,800 to 2,500 gallons of water are required to produce one pound of beef. Meat consumption and production continues to increase year over year. While some meat production can positively contribute to proper land management in regenerative agriculture systems, continually increasing meat production in industrial agricultural systems around the globe is incompatible with achieving net-zero emissions by 2050.

To help stem the worst impacts of climate change, we need to diversify 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 and increase the availability of proteins from plant products to supplement animal protein sources. 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 participated in dialogues with Saputo on the need to diversify protein sources as part of a comprehensive climate risk strategy.

Another area where VCIM is active in engagement is as a member of 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.



References

- Administration, U. S. (2021, April 9). *N95 Respirators, Surgical Masks, and Face Masks*. Retrieved June 2, 2021, from <https://www.fda.gov/medical-devices/personal-protective-equipment-infection-control/n95-respirators-surgical-masks-and-face-masks>
- American Museum of Natural History. (n.d.). *Why Mangroves Matter*. Retrieved from American Museum of Natural History: <https://www.amnh.org/explore/videos/biodiversity/mangroves-the-roots-of-the-sea/why-mangroves-matter>
- Amos, J. (2021, May 24). *Move to net zero 'inevitably means more mining'*. Retrieved from BBC: <https://www.bbc.com/news/science-environment-57234610>
- Banks, E., Joshy, G., Weber, M. F., Liu, B., Grenfell, R., Egger, S., . . . Beral, V. (2015). Tobacco smoking and all-cause mortality in a large Australian cohort study: findings from a mature epidemic with current low smoking prevalence. *BMC Medicine*, 13(38), 1-10. doi:10.1186/s12916-015-0281-z
- Bradford. (2020, June 16). *90,000+ call for key measures to stop discrimination by Canada's banks*. Retrieved from Democracy Watch: <https://democracywatch.ca/90000-call-for-key-measures-to-stop-discrimination-by-canadas-banks/>
- British Broadcasting Corporation. (2020, December 9). *Rio Tinto ordered to rebuild ancient Aboriginal caves*. Retrieved from BBC: <https://www.bbc.com/news/world-australia-55250137>
- Bureau of Land Management. (2021, January 6). *Trump Administration conducts first ANWR Coastal Plain oil and gas lease sale*. Retrieved from United States Department of the Interior: <https://www.blm.gov/press-release/trump-administration-conducts-first-anwr-coastal-plain-oil-and-gas-lease-sale>
- Bureau of Land Management. (n.d.). *Coastal Plain of the Arctic National Wildlife Refuge*. Retrieved from United States Department of the Interior: <https://www.blm.gov/programs/energy-and-minerals/oil-and-gas/about/alaska/coastal-plain-arctic-national-wildlife-refuge>
- Center for Systems Science and Engineering at John Hopkins University. (n.d.). *COVID-19 Dashboard*. Retrieved from <https://gisanddata.maps.arcgis.com/apps/dashboards/bda7594740fd40299423467b48e9ecf6>
- Centers for Disease Control and Prevention. (2021, April 9). *Optimizing N95 Respirator Supplies*. Retrieved June 2, 2021, from Centers for Disease Control and Prevention: <https://www.cdc.gov/coronavirus/2019-ncov/hcp/respirators-strategy/index.html>
- Centers for Disease Control and Prevention. (n.d.). *Smoking in the movies*. Retrieved May 10, 2021, from Centers for Disease Control and Prevention: https://www.cdc.gov/tobacco/data_statistics/fact_sheets/youth_data/movies/index.htm#background
- Chin, F. (2020, October 31). *Banking barriers: How the Canadian financial sector excludes Black entrepreneurs, stifling innovation*. Retrieved from CBC: <https://www.cbc.ca/radio/costofliving/banking-while-black-1.5780927>
- Contrera, J. (2020, September 21). *The N95 shortage America can't seem to fix*. Retrieved September 25, 2020, from The Washington Post: <https://www.washingtonpost.com/graphics/2020/local/news/n-95-shortage-covid/>
- Cubanski, J., & Neuman, T. (2021, February 4). *Price Increases Continue to Outpace Inflation for Many Medicare Part D Drugs*. Kaiser Family Foundation. Retrieved from Kaiser Family Foundation: <https://www.kff.org/medicare/issue-brief/price-increases-continue-to-outpace-inflation-for-many-medicare-part-d-drugs/>
- Eilperin, J., & Partlow, J. (2021, June 2). *Biden administration suspends oil and gas leases in Arctic National Wildlife Refuge*. Retrieved from The Washington Post: <https://www.washingtonpost.com/climate-environment/2021/06/01/arctic-national-wildlife-refuge/>
- Exec. Order No. 13990, 3 C.F.R. (2021, January 20). Retrieved from <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-protecting-public-health-and-environment-and-restoring-science-to-tackle-climate-crisis/>
- Federal Deposit Insurance Corporation. (n.d.). *Community Reinvestment Act*. Retrieved from Federal Deposit Insurance Corporation: <https://www.fdic.gov/resources/bankers/community-reinvestment-act/>
- Fleischman, L., & Franklin, M. (2017). *Fumes Across the Fence-Line*. National Association for the Advancement of Colored People. Retrieved from https://www.catf.us/wp-content/uploads/2017/11/CATF_Pub_FumesAcrossTheFenceLine.pdf
- Gilson, S. (2019, July 29). *'My Ears Keep Ringing All the Time': Mercury Poisoning Among Grassy Narrows First Nation*. Retrieved from Pulitzer Center: <https://pulitzercenter.org/stories/my-ears-keep-ringing-all-time-mercury-poisoning-among-grassy-narrows-first-nation>
- H. R. 1155, 117th Congress. (2021). Retrieved from <https://www.congress.gov/bill/117th-congress/house-bill/1155/text>
- Harwood, J., & Stark, L. (2021, June 1). *Biden administration to suspend oil and gas drilling leases in Arctic refuge, undoing a Trump-era decision*. Retrieved from CNN: <https://www.cnn.com/2021/06/01/politics/oil-and-gas-arctic-leaders/index.html>
- Hoffower, H. (2020, December 15). *Here are twelve people who seemingly predicted the coronavirus pandemic*. Retrieved June 5, 2021, from Business Insider: <https://www.businessinsider.com/people-who-seemingly-predicted-the-coronavirus-pandemic-2020-3>
- International Chamber of Commerce. (2021, January 25). *Study shows vaccine nationalism could cost rich countries US\$4.5 trillion*. Retrieved June 4, 2021, from <https://iccwbo.org/media-wall/news-speeches/study-shows-vaccine-nationalism-could-cost-rich-countries-us4-5-trillion/>

-
- International Union for Conservation of Nature. (2017). *Peatlands and climate change*. Retrieved from IUCN: https://www.iucn.org/sites/dev/files/peatlands_and_climate_change_issues_brief_final.pdf
- Levin, D. (2017, April 19). *Ice Roads Ease Isolation in Canada's North, but They're Melting Too Soon*. Retrieved from The New York Times: <https://www.nytimes.com/2017/04/19/world/canada/ice-roads-ease-isolation-in-canadas-north-but-theyre-melting-too-soon.html>
- Little, S. (2020, January 20). *'The damage is already done': Indigenous man arrested with granddaughter rejects BMO apology*. Retrieved from Global News: <https://globalnews.ca/news/6437952/indigenous-man-arrested-granddaughter-rejects-bmo-apology/>
- Markey, E., Van Hollen, C., & Blumenthal, R. (2019, April 15). *All letters on tobacco imagery*. Retrieved June 10, 2021, from Ed Markey United States Senator for Massachusetts: <https://www.markey.senate.gov/imo/media/doc/ALL%20LETTERS%20on%20tobacco%20imagery.pdf>
- McSwane, J. D. (2020, September 21). *Foreign Masks, Fear and a Fake Certification: Staff at CSL Plasma Say Conditions at Donation Centers Aren't Safe*. Retrieved September 22, 2020, from ProPublica: <https://www.propublica.org/article/foreign-masks-fear-and-a-fake-certification-staff-at-csl-plasma-say-conditions-at-donation-centers-arent-safe>
- Mikulic, M. (2021, March 9). *World pharmaceutical sales 2017-2020 by region*. Retrieved from Statista: <https://www.statista.com/statistics/272181/world-pharmaceutical-sales-by-region/>
- Ramzy, A., & Buckley, C. (2019, November 16). *The Xinjiang Papers*. Retrieved December 12, 2019, from The New York Times: <https://www.nytimes.com/interactive/2019/11/16/world/asia/china-xinjiang-documents.html>
- Ritchie, H., & Roser, M. (2017). *Meat and dairy production*. Our World in Data. Retrieved from <https://ourworldindata.org/meat-production#citation>
- Sec. Order No. 3401. (2021, June 1). Retrieved from <https://www.doi.gov/sites/doi.gov/files/elips/documents/so-3401-comprehensive-analysis-and-temporary-halt-on-all-activities-in-the-arctic-national-wildlife-refuge-relating-to-the-coastal-plain-oil-and-gas-leasing-program.pdf>
- The Chemical Footprint Project. (n.d.). *What is the Chemical Footprint Project?* Retrieved from The Chemical Footprint Project: <https://www.chemicalfootprint.org/learn/about-cfp>
- United Nations. (2021, May 6). *UN Report: Nature's Dangerous Decline 'Unprecedented'; Species Extinction Rates 'Accelerating'*. Retrieved from United Nations: <https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/>
- United States Environmental Protection Agency. (n.d.). *Environmental Justice*. Retrieved June 2, 2021, from <https://www.epa.gov/environmentaljustice>
- United States Senate Committee on Finance. (2021, January 14). *Grassley, Wyden Release Insulin Investigation, Uncovering Business Practices Between Drug Companies and PBMs That Keep Prices High*. Retrieved from United States Senate Committee on Finance: <https://www.finance.senate.gov/chairmans-news/grassley-wyden-release-insulin-investigation-uncovering-business-practices-between-drug-companies-and-pbms-that-keep-prices-high>
- United States Senate Foreign Relations Committee. (2018, December 4). Testimony of Deputy Assistant Secretary Scott Busby. 1-7. Deputy Assistant Secretary Scott Busby. Retrieved January 12, 2020, from United States Senate Committee on Foreign Relations: https://www.foreign.senate.gov/imo/media/doc/120418_Busby_Testimony.pdf
- Van Boeckel, T. P., Brower, C., Gilbert, M., Grenfell, B. T., Levin, S. A., Robinson, T. P., . . . Laxminarayan, R. (2015). Global trends in antimicrobial use in food animals. *Proceedings of the National Academy of Sciences*, 112(18), 5649-5654. doi:<https://doi.org/10.1073/pnas.1503141112>
- Wallace, G. (2020, November 16). *Trump administration begins last-minute leasing process for arctic drilling*. Retrieved from CNN: <https://www.cnn.com/2020/11/16/politics/arctic-refuge-drilling/index.html>
- World Health Organization. (n.d.). *The Access to COVID-19 Tools (ACT) Accelerator*. Retrieved June 4, 2021, from <https://www.who.int/initiatives/act-accelerator>
- Xu, V. X., Cave, D., Leibold, J., Munro, K., & Ruser, N. (2020). *Uyghurs for Sale*. Australian Strategic Policy Institute. Retrieved April 23, 2021, from <https://www.aspi.org.au/report/uyghurs-sale>
-



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.

The information provided herein does not constitute financial, tax or legal advice. Always consult with a qualified advisor prior to making any investment decision. Commentaries are provided by the portfolio manager or sub-advisor responsible for the management of the fund's investment portfolio, as specified in the applicable fund's prospectus ("portfolio manager") or term sheet. Statements by the portfolio manager represent their professional opinion, do not necessarily reflect the views of VCIM, IA Clarington or Credential, and should not be relied upon for any other purpose. Information presented should not be considered a recommendation to buy or sell a particular security. Specific securities discussed are for illustrative purposes only. Mutual funds and pooled funds may purchase and sell securities at any time and securities held by a fund may increase or decrease in value. Past investment performance of a security may not be repeated. Unless otherwise stated, the source for information provided is the portfolio manager. Statements that pertain to the future represent the portfolio manager's current view regarding future events. Actual future events may differ. The information presented herein may not encompass all risks associated with mutual funds and pooled funds. Please read the applicable prospectus or term sheet for a more detailed discussion on specific risks of investing in mutual funds and pooled funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Trademarks displayed herein are the property of and trademarked by the corresponding company and are used for illustrative purposes only.