

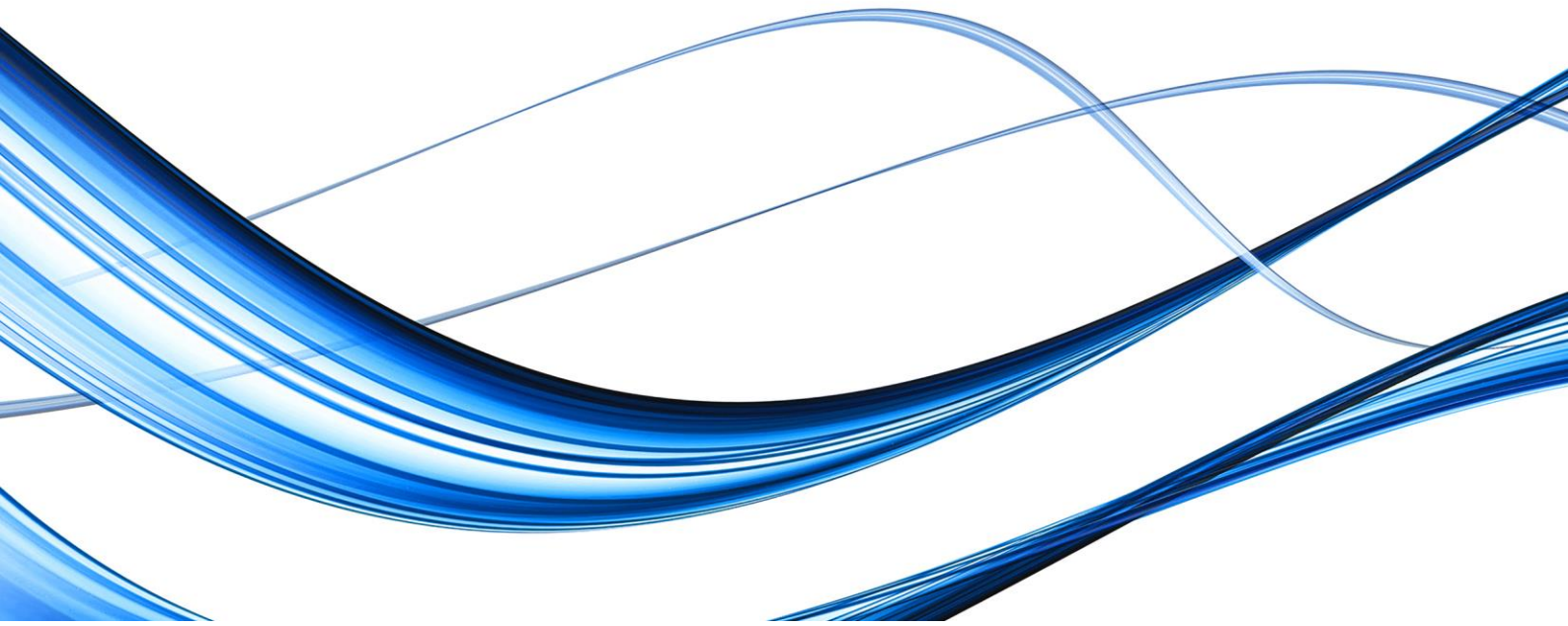
Evangelical Lutheran Foundation of Eastern Canada

Q1 2020

January 1st - March 31st

Shareholder Engagement Report

Responsible investment for a sustainable, inclusive and productive economy



Shareholder Engagement Report

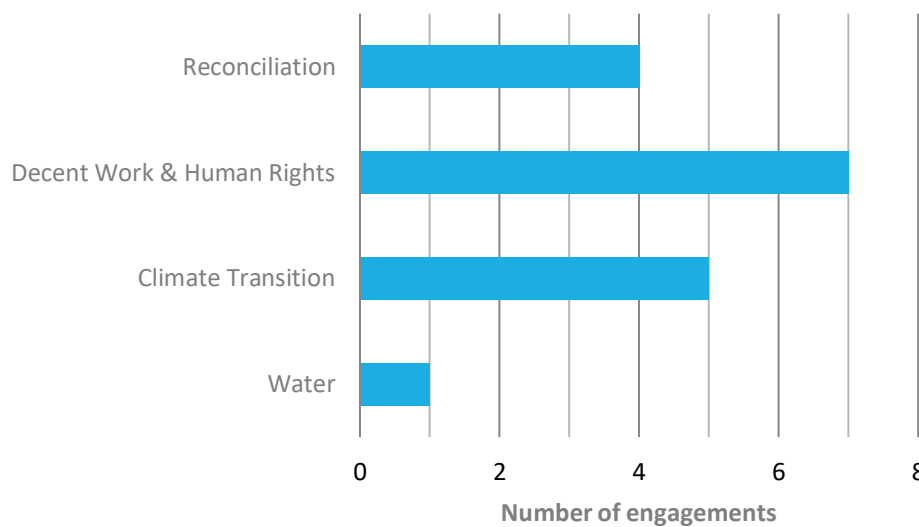
Evangelical Lutheran Foundation of Eastern Canada | Q1 2020

January 1st - March 31st, 2020

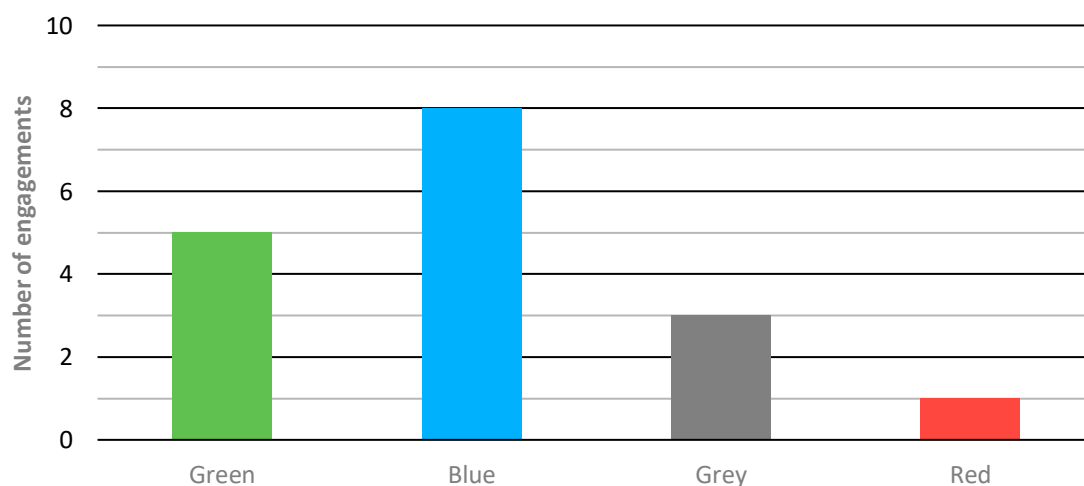
SHARE conducts focused and constructive shareholder engagement dialogues with public corporations on behalf of Evangelical Lutheran Foundation of Eastern Canada to improve the environmental, social and governance (ESG) performance of the companies in its investment portfolios. This quarter, SHARE corresponded with 13 companies held by Evangelical Lutheran Foundation of Eastern Canada on key environmental, social and corporate governance (ESG) issues.

Shareholder Engagement at a Glance

Engagement Themes



Engagement Progress this Quarter



- GREEN: Company has made significant progress against one or more engagement outcomes
- BLUE: Company is engaging in positive dialogue on engagement outcomes
- GREY: Engagement with company is ongoing / Response pending
- RED: Company has experienced a significant negative event related to the engagement topic

Detailed Company Progress Report

The following table shows our engagement progress with companies from Q1 2020:

PROGRESS	COMPANY	TOPIC
 BLUE	Bank of Montreal	Investing in the Climate Transition
 BLUE	Bank of Montreal	Decent Work & Human Rights
 BLUE	Bank of Montreal	Investing in Reconciliation
 BLUE	Bank of Nova Scotia	Investing in the Climate Transition
 GREEN	Dollarama Inc	Decent Work & Human Rights
 GREY	Enbridge Inc.	Investing in Reconciliation
 GREEN	Fortis Inc	Investing in the Climate Transition
 BLUE	Loblaw Companies Limited	Decent Work & Human Rights
 GREEN	Nutrien Ltd	Investing in Water Security
 RED	Restaurant Brands International Inc.	Decent Work & Human Rights
 BLUE	Royal Bank of Canada	Investing in the Climate Transition
 GREEN	Royal Bank of Canada	Decent Work & Human Rights
 GREY	TC Energy (formerly TransCanada Corporation)	Investing in Reconciliation
 GREEN	Thomson Reuters Corp	Decent Work & Human Rights
 GREY	Toromont Industries Limited	Investing in Reconciliation
 BLUE	Toronto-Dominion Bank	Investing in the Climate Transition
 BLUE	Toronto-Dominion Bank	Decent Work & Human Rights

NUMBER OF COMPANIES ENGAGED IN Q1: 13

NUMBER OF ENGAGEMENTS IN Q1: 17



Engagement in Action

SUPPLEMENTAL HIGHLIGHTS
PUBLIC REPORT

Q1 2020



PANDEMIC RESPONSES

Adapting our engagement agenda in unprecedented times

LIKE EVERY CANADIAN ORGANIZATION, SHARE has been affected by the COVID-19 pandemic, the international lockdown, and the ensuing economic crisis. SHARE's first focus was to make sure our team was safe and that we were able to continue our work in a remote environment.

The team quickly got to work in thinking about how to adapt current work plans to fit the moment, and where else SHARE could make useful interventions to advance our mission of responsible investment for a sustainable and inclusive economy as the world comes through the pandemic.

SHARE CEO, Kevin Thomas, led our team to draft an agenda for "[Investor Stewardship during the current crisis](#)". The letter outlines some of the opportunities we see for responsible investors in the short and longer term as we come through the pandemic.

SHARE has framed the agenda around companies' resiliency to survive this period and build long term value. We see this as a new layer to our existing 2020 Engagement Plan to support your interests in this changing environment.

SHARE's engagement team has started to renew engagements with companies based on some of the priorities addressed in the "resilience" agenda. For example:

- SHARE has contacted a dozen companies in the quick-service food, grocery, and retail sectors to discuss their decent work approaches during and after the pandemic crisis – including paid leaves and layoffs. SHARE has also renewed discussions with Canada's big banks about their climate goals, which are particularly important as the banks consider how to adjust their investment strategies and future plans for supporting the recovery.
- SHARE has begun renewed engagements with energy and resource companies that have continued to operate remote work camps, deemed "essential" and to charge ahead with project approvals, even while meaningful consultation with Indigenous communities is impossible.

"The recovery from the COVID-19 pandemic will reshape the Canadian economy from top to bottom. Those of us who hold a vision of fairness and sustainability – including the SHARE community – can embed these values in the economic recovery" said Anthony Schein, Director of Shareholder Advocacy. "That is what animates our work right now on company responses to the pandemic." ■



ANTHONY SCHEIN
DIRECTOR OF SHAREHOLDER ADVOCACY

INVESTING IN DECENT WORK: BOARD ACCOUNTABILITY

Three companies adopt new board accountability policies, while Restaurant Brands International lags

IN 2020, WE'VE TAKEN AN INTEGRATED approach to Decent Work in the Canadian market and human rights issues throughout companies' operations, and we've directed our attention to embedding oversight for workforce issues in board mandates.

In our 2020 Engagement Plan, we identified more than two dozen companies where shareholders should seek improvements to company performance related to Decent Work and Human Rights, including several where our goal was to embed board accountability for decent work. SHARE filed proposals at four companies for the 2020 proxy season to support this objective and has continued engagement with others. Related proposals were filed at McDonald's, Dollarama, Brookfield Asset Management, and Restaurant Brands International (RBI).

As a result of discussions about the proposal, McDonald's agreed to amend the charter of its board *public policy and strategy committee* to address key components of the resolution. These include workplace health and safety, respectful workplace environments, and diversity and inclusion. SHARE withdrew the proposal at McDonald's and carried forward with

discussion on the same topic at Dollarama. Dollarama in turn agreed to similar language in its board charter. Thomson Reuters, where we filed a similar proposal the prior year, also agreed to follow suit and adopted SHARE's proposed changes.

"We are leveraging our early success with McDonald's to advance our objectives across the board," said Sarah Couturier-Tanoh, Engagement and Policy Analyst. "Unfortunately, certain companies such as Restaurant Brands International have continued to rebuff shareholder concerns." RBI has declined to meaningfully engage with SHARE. SHARE's proposal will go to a vote at the company later this spring.

"RBI's refusal to listen to shareholders is why we'll also be taking the further step this year of filing an 'exempt solicitation' and recommending shareholders withhold their vote for a member of the board," said Anthony Schein, Director of Shareholder Advocacy. "Companies need to respect the rights of shareholders and make a meaningful effort to engage on issues they identify. Ignoring last year's majority vote of independent shareholders on our proposal is not acceptable." ■



SARAH COUTURIER-TANOH
ANALYST, ENGAGEMENT & POLICY

INVESTING IN THE CLIMATE TRANSITION: POLITICAL SPENDING AND OVERSIGHT

Fortis withdraws from American Legislative Exchange Council

FOR SEVERAL YEARS SHARE HAS WORKED with a large group of US pension funds to engage with companies to establish effective oversight and disclosure of political spending and lobbying activity. In 2019 this coalition filed shareholder resolutions at more than 33 companies regarding lobbying disclosure. SHARE has also partnered with peers in the Climate Action 100+ coalition to issue a set of investor expectations on climate lobbying, sending a request to 47 of the largest US GHG-emitters to ensure that any lobbying is consistent with the objective of meeting the Paris Climate Agreement goals.

In 2020, SHARE is using this set of investor expectations to continue engagements with selected US and global corporations around effective oversight and disclosure of lobbying activity, with a focus on climate-related lobbying. SHARE will also be monitoring Canadian companies' lobbying regarding government responses to the COVID-19 pandemic.

The goal is to adopt and disclose appropriate policies for managing political contributions and lobbying, as well as to disclose expenditures and activities by trade associations.

Fortis Inc. was originally formed as a Newfoundland and Labrador based utility, almost 150 years ago. Today, it is an international firm with operations across Canada, in nine United States, and in Caribbean. SHARE filed a proposal regarding the company's lobbying activity, asking Fortis Inc. to assess its trade association memberships for consistency with the goals of the Paris climate agreement.

SHARE highlighted the fact that a Fortis subsidiary was a contributing member of the American Legislative Exchange Council (ALEC).

"ALEC is notoriously aligned with radical anti-environmental causes in the United States. Its lobby agenda has included opposition to the most basic gun control and voter suppression targeted at African Americans. Most relevant to our agenda, ALEC has lobbied against the Paris Agreement" said Kevin Thomas, SHARE's CEO, who led engagement with Fortis.

After a series of discussions with Fortis management, the company agreed to withdraw its membership in ALEC, publish and regularly update a list of trade associations and think tanks to which it

contributes financially, and disclose how the company oversees its outside memberships and contributions. This disclosure will feature a special focus on how it addresses any concern with climate-change related lobbying by those associations.

In response, SHARE has agreed to withdraw the shareholder proposal. Thomas continued: "We were pleased with Fortis' willingness to respond to shareholder concerns, and look forward to making progress with other focus companies this year." ■

INVESTING IN WATER SECURITY: MINE TAILINGS

Nutrien commits to Disclosure

SHARE'S WORK ON INVESTING IN WATER Security has focused on improving oversight and disclosure in the extractive sector. This priority has included work on energy pipelines, as well as mine tailings. Investors and companies have recently been collaborating on a global standard for mine tailings as well as a global database of mine tailings ponds which can help to assess and mitigate the risks associated with poor tailings management.

SHARE is encouraging firms to report to the global database but is also taking part in the consultations on the global standard in the hopes of applying that standard with Canada's resource sector.

While hundreds of mining companies have responded positively to the request for disclosure, SHARE approached non-responding companies, including Nutrien, to solicit full disclosure. SHARE was successful in convincing Nutrien to participate in the disclosure program, which will help global efforts to identify, quantify and address mine tailings risks.

In February, SHARE also published a new report that raises questions about liabilities associated with management of tailings ponds in Alberta oil sands mining operations, as well as the regulatory regime that governs them.

"The uncertainty around oil sands tailings reclamation creates regulatory, reputational, and litigation risks for investors. For investors and other stakeholders, the biggest unanswered question is how reclamation obligations will be met – and by whom," said Kevin Thomas, CEO of SHARE, about the issue brief [Canada's oil sands tailings reclamation: an unfunded liability?](#)

"The large discrepancy in estimates of the cost of liabilities, coupled with weak discussion of risks in company filings, suggests that oil companies have not considered the full costs and the evolving nature of the risks associated with tailings pond reclamation," he said. ■



KEVIN THOMAS
CHIEF EXECUTIVE OFFICER

INVESTING IN THE CLIMATE TRANSITION: REDUCING GHG EMISSIONS

Cenovus and Tourmaline Commit to New Targets

SHARE'S 2020 ENGAGEMENT PLAN TAKES A multi-pronged approach to address investor interests in the climate transition. SHARE plans to focus on transformational work on sustainable finance, just transition, and political spending. At the same time, the plan focuses on engaging companies to address their methane and other greenhouse gas emissions, by setting meaningful, Paris-aligned emissions targets, and tracking their progress.

At the start of the year, SHARE identified focus companies with high emissions relative to peers, inadequate disclosure and climate-metrics, and lacking company-wide targets. SHARE has a long history of engagement with Cenovus Energy, a Canadian oil and gas firm, and had filed a proposal in late 2019 for the 2020 Annual General Meeting calling for the company to set and disclose emissions targets.

"SHARE's continued pursuit of targets brought the company to the table," said Kevin Thomas, SHARE's CEO. Following discussions in January and February, the company issued new targets, and the proposal was withdrawn. The company's targets include a commitment to a 30% reduction in emissions intensity by 2030,

with a parallel commitment to keep absolute emissions flat during the same period, and a longer-term ambition to reach "net-zero" emissions by 2050. "The new targets are not the gold standard, but they do go further than the company's peers in the energy sector. We will continue our engagement on implementation, and will push the company to be more ambitious." Thomas continued. In a related engagement, Cenovus has committed to increasing its cumulative spending on Indigenous-owned businesses by \$1.5 billion over the next ten years and has also committed to additional company-wide Indigenous awareness training for its staff, meeting one of the Calls to Action of the Truth and Reconciliation Commission.

Tourmaline is an oil and gas firm that SHARE has engaged regarding methane emissions. "SHARE's persistence with Tourmaline has started to pay off," said Mike Toulch, Senior Analyst, Engagement and Policy. In 2020, the company committed to a 25 percent methane reduction by the end of 2023, based on a 2018 baseline. "Our work with Tourmaline is far from over. We will continue to monitor the company's performance and to push for more."

In 2019, SHARE collaborated with Boston Common Asset Management on a report titled *Banking on a Low Carbon Future: Finance in a Time of Climate Crisis* as part of a broader global investor engagement with approximately 60 banks globally, including the big six Canadian banks. The report helps to point the way for investor expectations on banks with regard to climate change and set the course for SHARE's 2020 engagements.

Despite this encouraging progress, significant work remains to push companies in the Canadian energy sector towards aligning their operations, emissions reduction and target setting efforts in-line with Paris Agreement goals. Specifically, most companies in the Canadian energy sector have yet to report on or address scope 3 emissions in any capacity, or make any commitments related to absolute emissions reductions, even though several major global companies in the sector have already done so (e.g. [Shell & Total](#)). ■

INVESTING IN THE CLIMATE TRANSITION: SUSTAINABLE FINANCE

CIBC revises exclusion policy on coal lending

IN ITS 2020 ENGAGEMENT PLAN, SHARE SET out to continue long-standing work with Canadian banks on the integration of climate change into corporate finance, business strategy, and risk management.

Over the previous two years, SHARE had partnered with a group of international investors to ask over 60 of the world's biggest banks to disclose climate-related information aligned with the TCFD framework, and we are seeing some positive results. All Canadian Banks publicly disclosed their support for the TCFD recommendations in 2017 and 2018. Since then, climate change has featured more prominently in bank disclosures, but progress has been slow.

The goal for 2020 has been for banks to acknowledge and address climate-related risks and opportunities in their business strategy, using the TCFD Framework, to report to investors on their governance and management of climate risks and opportunities and to realign their lending practices towards a net-zero economy.

SHARE has continued engagements with all of the large Canadian banks in 2020. The continued engagement has led to

important progress with CIBC, particularly in regard to its exclusion policy on lending for coal-fired power plants and mountaintop coal mining, and has increased disclosure on climate-risk-due diligence. TD Bank is the only other Canadian bank with any coal-related exclusion. "Canadian banks continue to lag international counterparts in terms of coal-related lending policies, but we are starting to see progress," said Mike Toulch, Senior Analyst, Engagement and Policy. As a result of the pandemic and the oil crash, SHARE is looking to see banks become more ambitious in their climate targets as the economy begins to rebound. Toulch continued "When we meet with CIBC next, we'll be looking for increased exclusions."

SHARE has begun renewed engagements with Canadian banks specifically on their pandemic responses. As outlined in SHARE's [agenda for investor stewardship during the pandemic](#), financing decisions for the recovery should be built around making the climate transition. SHARE CEO Kevin Thomas said, "The conversation we need to be having with the financial sector, for example, is whether projects which are now on hold in the oil patch should actually be part of the portfolio, even when the economy recovers." ■



MIKE TOULCH
SENIOR ANALYST,
ENGAGEMENT & POLICY



The Shareholder Association for Research and Education (SHARE) is dedicated to building a sustainable, inclusive and productive economy. Since its creation in 2000, SHARE has worked toward this goal by supporting responsible investment leadership among institutional investors and building a network of investors who share our vision. SHARE assists in implementing responsible investment strategies through our Active Ownership Services, including:

- Pension Investment & Governance Education
- Proxy Voting & Advisory Services
- Shareholder Engagement
- Proxy Vote Auditing Services
- Responsible Investment Advisory Services

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