



NEI

THE POWER TO MAKE A DIFFERENCE

**HOW RESPONSIBLE INVESTING CAN MAKE A
DIFFERENCE FOR YOU, YOUR COMMUNITY
AND THE PLANET**

INVESTMENTS DONE DIFFERENTLY

Question:

How important is it that what you buy reflects who you are?

Rise of the “values-based” consumer

71% of consumers buy brands from companies whose values are similar to their own.

(Forbes Magazine, 2016)

Question:

Would you like the companies you support to be concerned about more than the bottom line?



87%

of U.S. consumers believe companies should *value the interests of society* at least as much as strict business interests. (Forbes Magazine, 2016)

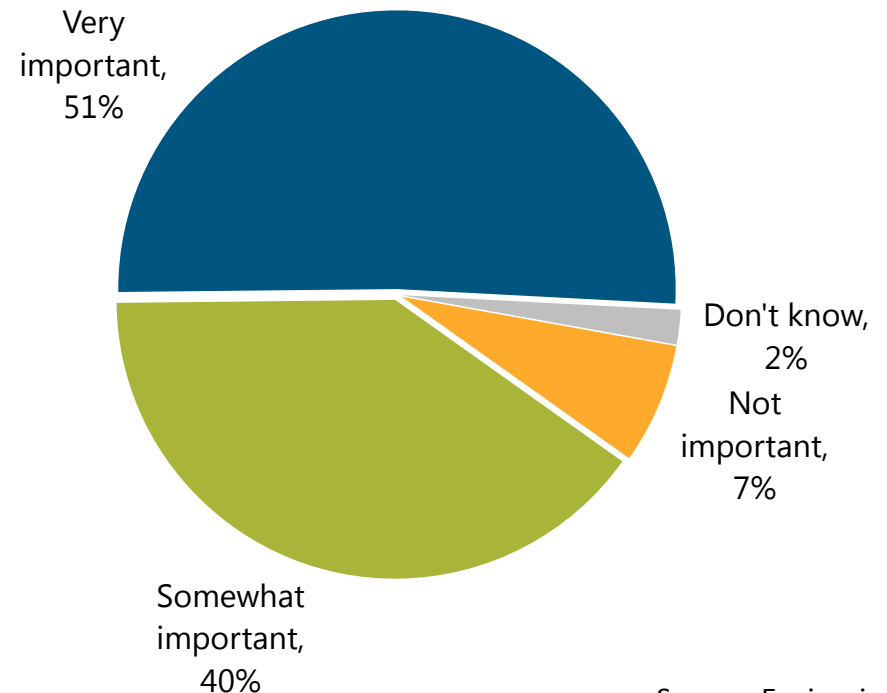
Question:

Should the way you invest reflect your values?

Canadians want their investments to align with their values

Over 90% of Canadian investors want the investment products they use to be consistent with their overall values

Importance of having investment products consistent with your overall values



Source: Environics



NEI

THE DIFFERENCE- MAKING POWER OF RESPONSIBLE INVESTING (RI)

What is RI?

Responsible Investing refers to the integration of Environmental, Social, and Governance (ESG) criteria into investment selection and management.

Responsible investment Association (RIA)

What is ESG?



Considers the potential negative impact on air, land, water and human health



Addresses matters such as human rights, supply chains, worker safety and aboriginal rights



Encompasses areas such as corporate board independence and diversity, corporate risk management and excessive executive compensation.

What is ESG?

Environmental
Risks



Social
Risks



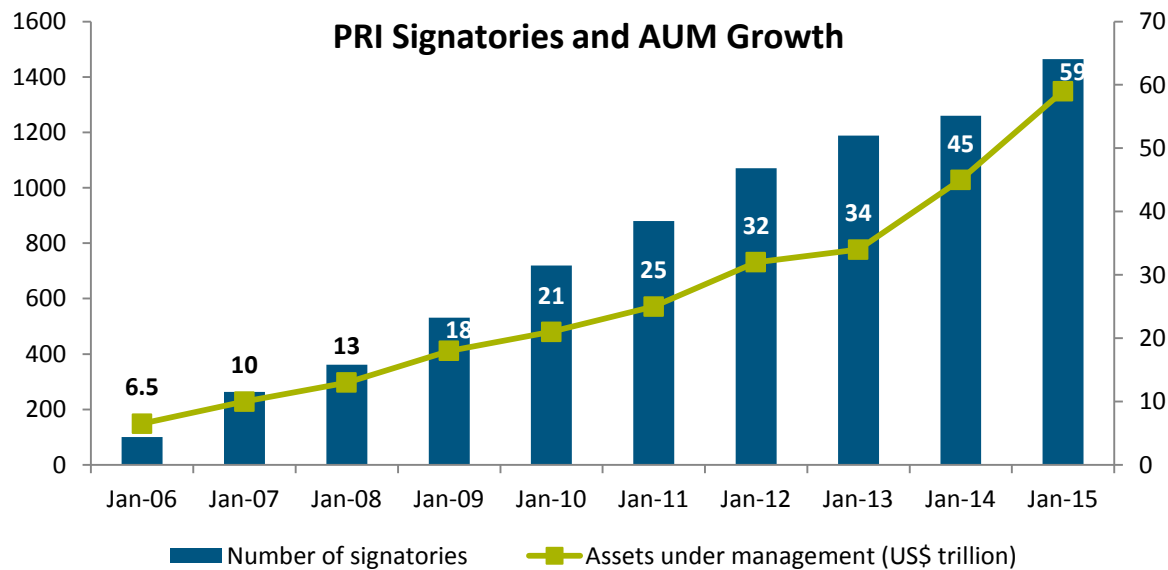
Governance
Risks



RI is mainstream investing

“ESG has become an inseparable component of best-practice investment management, as opposed to a feel-good optional extra, for *all* investment strategies.”

Hermes Investment Management



RI among the world's fastest growing investment categories

You are already a responsible investor

“We believe that organizations that manage ESG factors effectively are more likely to create sustainable value over the long-term than those that do not.

As we work to fulfill our mandate, we consider and integrate ESG risks and opportunities into our investment decisions.”

Canada Pension Plan Investment Board

ESG positively impacts performance

“Companies with the lowest-ranked governance scores tend to underperform the average”

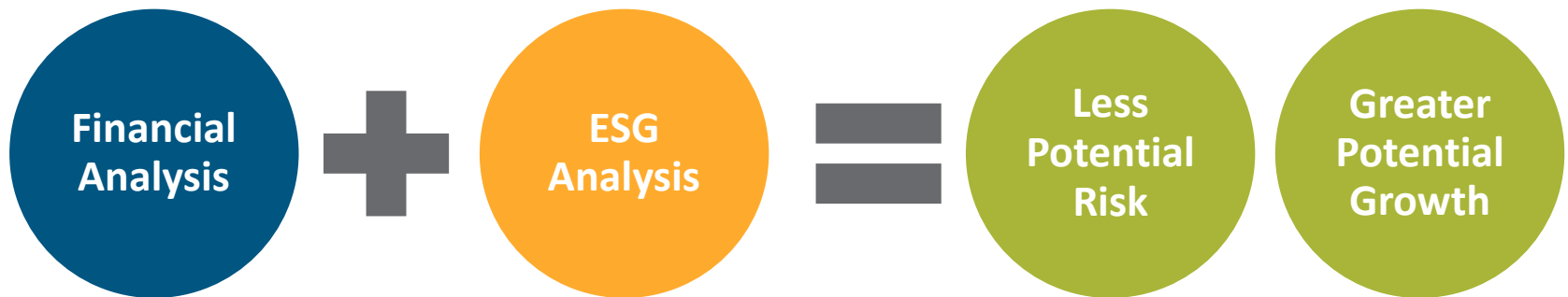
“Investors are able to integrate environmental and social considerations into their stock selection without systematically lowering their returns.”

Hermes Investment Management

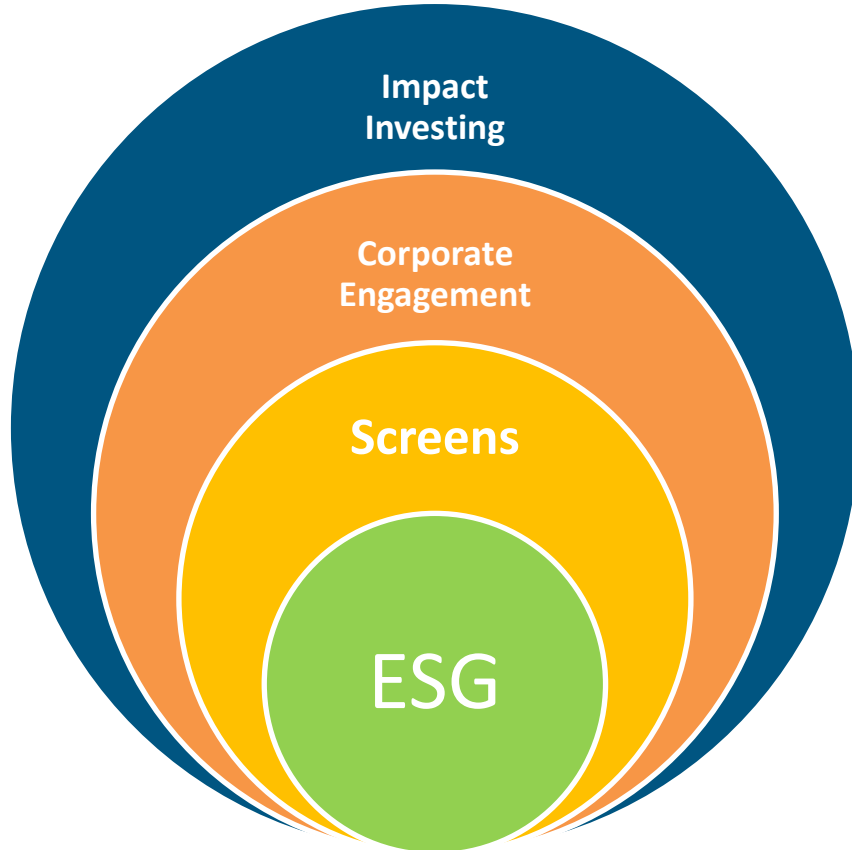


RI works with traditional financial analysis

Responsible investing is about combining traditional financial analysis with ESG analysis to make sound investment decisions



ESG at the core of all RI approaches



- Responsible investing can employ different approaches
- At its core, RI seeks to ensure companies consider ESG factors in their business practices

Distinct RI approaches may be used exclusively or in combination



Screen out companies involved in illegal weapons, nuclear power generation, and the manufacture and sale of tobacco products



Corporate engagement used as a tool to positively influence company practices and behaviours



Invest in companies that seek to generate a measurable, beneficial social or environmental impact alongside a financial return



NEI

NEI AND RESPONSIBLE INVESTING

NEI Overview

\$6B in assets under management*



100% Canadian owned and independent

#1 provider of retail RI solutions**

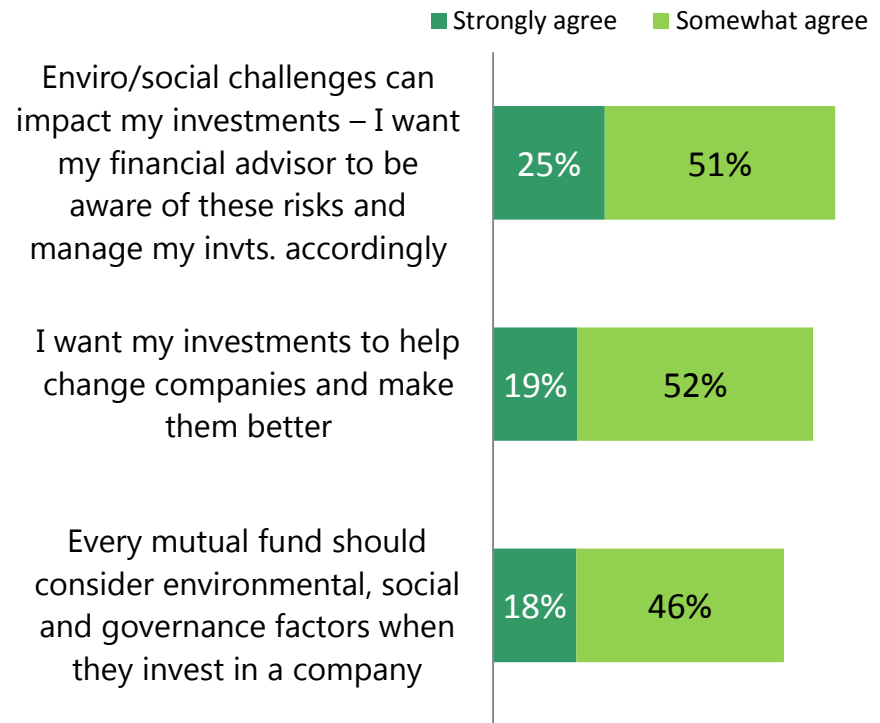
Ownership drives our values

50% owned by provincial credit unions

“Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.”

Aligned with the values of Canadians

Canadians want their investments to make a difference



Source: Environics

NEI takes RI beyond screening

- Canada's largest team of ESG specialists
- Team actively engages companies in our funds, encouraging them to adopt more sustainable behaviour and lead the way for other corporations

Corporate engagement: 2015 results



Corporate engagement success: Governance

Stock: HSBC Holdings PLC



2013

2014

2014



ENGAGEMENT



DIVESTMENT

- Ethical Funds initiates a management breach investigation in early 2013 after assessing negative media coverage and reviewing a report by the U.S. Congressional sub-committee of Homeland Security on U.S. sanctions violations by HSBC
- We wrote to the chair of HSBC's board, expressing our concerns and requesting details about how the bank intended to reform its compliance culture and systems. HSBC did not respond, which compounded our concerns
- NEI divests of all HSBC shares after concluding that the bank's links to money-laundering by Mexican drug cartels, U.S. sanctions violations and other governance failures
- Further problems related to tax evasion would arise in the wake of leaked documents in 2008 at HSBC's private bank in Switzerland

Corporate engagement success: Environmental

Stock: CN Rail (CNR)*



2005

2012

ENGAGEMENT

- Disastrous track derailments
- Poor environmental and safety record
- Ethical Funds engages CN Rail about taking corrective safety measures
- CN Reports on safety performance in their annual Responsibility Report
- Employs a Chief Safety Officer
- ESG considerations (particularly safety metrics) impact executive bonuses
- In 2012 CN earned the Governance Gavel Award for “Best Disclosure of Approach to Executive Compensation

Corporate engagement success: Environmental

Stock: Suncor Energy Inc. (SU)*



2006 2008 2009 2010 2015 2016

ENGAGEMENT

ENGAGEMENT

First meetings on positive climate-related lobbying and developing a climate change strategy that included renewables

Suncor becomes a founding member of the Oil Sands Leadership Coalition (OSLI), an effort by leading companies to collaborate on technologies for reducing GHGs, remediating tailings ponds, and minimizing water use

NEI files a shareholder proposal with Suncor on performing carbon scenario planning. Proposal withdrawn as the company agrees to disclose internal carbon price used for stress testing projects, provide 5 year emission forecasts and disclose details of the carbon price scenario planning analysis for all new projects.

Company announces five year sustainability goals

Suncor publicly states its support for a price on carbon and stands with other major oil sands companies to support the Alberta governments' Climate Leadership Plan

Our shareholder proposal on Suncor's strategic resilience in a low-carbon future received over 98% support at the AGM. This exceptional result – and the fact the proposal was supported by the company – set a new bar for the Canadian oil & gas industry.

*For informational purposes only. This information should not be construed as investment advice or a recommendation to buy or sell any security.



Corporate engagement success: Governance

Stock: Royal Bank of Canada (RY)*



2010

2012

2013

2014

ENGAGEMENT

- U.S. 2010 Dodd-Frank Act includes requirements for companies to disclose the ratio of CEO to median employee compensation and NEI explores the issue in Canada with the big banks
- NEI publishes a white paper, on *Executive Compensation in the 21st Century, a* background on the approach to executive compensation
- The 5 biggest banks agree to engage on the risks of excessive executive compensation
- NEI present “vertical comparisons”: comparing executive pay vertically to the median employee
- RBC integrates “Vertical Pay” comparisons as part of their 2014 RBC Proxy Circular
- The first Canadian bank to weigh CEO pay against average employee salaries

Impact investing

NEI Environmental Leaders Fund

A global equity solution focused on resource optimization in four key areas:

Water



Energy



Waste



**Food &
Agriculture**





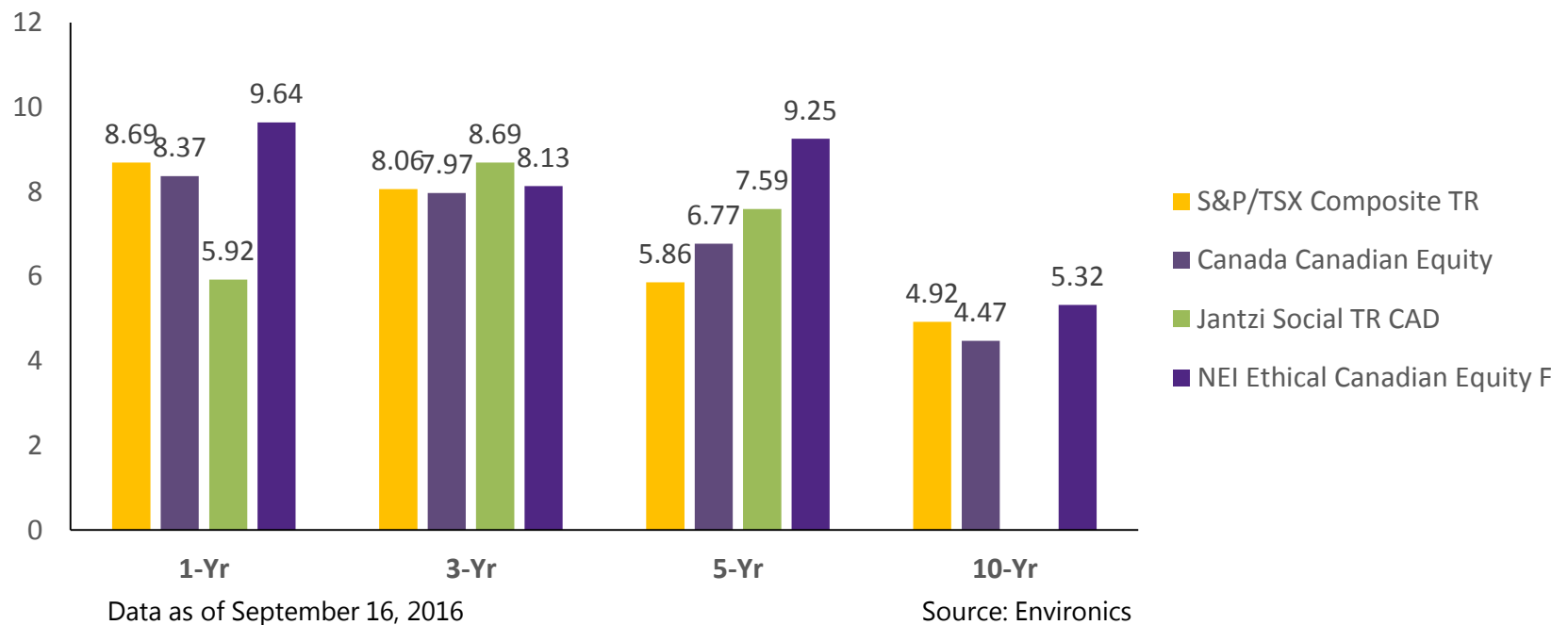
NEI

HOW CAN YOU MAKE A
DIFFERENCE TODAY?

RI funds deliver performance

The NEI Ethical Canadian Equity F Fund has matched or outperformed its benchmark over the short and longer term

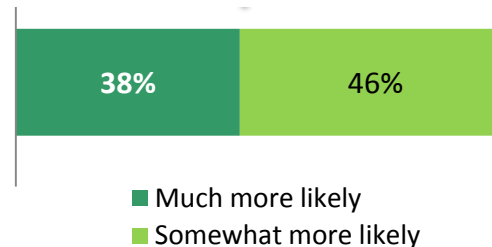
Canadian Equity RI vs. Index



With performance the same or better, most would invest responsibly

84% of investors would invest responsibly if an advisor were to show how RI meets or exceeds industry benchmarks.

Likelihood of investing responsibly if RI is demonstrated to meet or exceed industry benchmarks



Source: Environics

Why not talk about how YOU can make money and make a difference?

- Initiate a values-based conversation with your advisor
- Ask about Responsible Investing funds
- Learn more:
neiinvestments.com ethicalfunds.com

Let's talk
Questions?

**Visit us at: neiinvestments.com
ethicalfunds.com**

**Like us on Facebook: Ethical Funds
Follow us on Twitter: [@neiinvestments](https://twitter.com/neiinvestments)
[@ethicalfunds](https://twitter.com/ethicalfunds)**

NEI Investments endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, NEI Investments makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein. The views expressed herein are subject to change without notice as markets change over time.

Any reference to a particular company, security, industry or market sector should not be considered an indication of trading intent of any funds managed by NEI Investments. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell. Mutual funds are sold by prospectus only through registered dealers.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in units value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Northwest Funds, Ethical Funds and NEI Investments are registered trademarks of Northwest & Ethical Investments L.P.