Focus List 2025

A guide to our responsible investment themes and the companies we're talking to this year

NEI

As responsible investors, our goal is to grow long-term sustainable value for our clients.

We believe one of the most effective ways to achieve that goal is to exercise our rights as shareholders, using corporate engagement and proxy voting to express our views on corporate direction. In a spirit of collaboration, we discuss with companies how they can improve their environmental, social and governance performance to achieve long-term sustainability. This is called stewardship.

The International Corporate Governance Network explains it this way:

> "...investor stewardship helps to promote high standards of corporate governance which contributes to sustainable value creation, thereby increasing the long-term risk adjusted rate of return to investors and their beneficiaries or clients. At an investor level, stewardship is about preserving and enhancing long-term value as part of a responsible investment approach. This includes the consideration of wider ethical, environmental, and social factors and the consideration of relevant systemic risks as core components of fiduciary duty."

The acknowledgment in this definition of "relevant systemic risks as core components of fiduciary duty" is worth reiterating. When the objective is to produce long-term sustainable returns for investors, the benefits of seeking to mitigate material non-diversifiable risks to our portfolio become obvious. Only once we have incorporated consideration of complex, global challenges such as climate change and human rights concerns into our investment process can we say that we are doing our duty.

The other main activity we undertake in connection with our stewardship program is policy advocacy. Engaging on policy and standards in Canada and globally enables us to contribute to system-wide change. Whether we are talking with policymakers, regulators, standard setters, or industry associations, the time and energy we dedicate to this area can raise the bar for everyone.

Our Focus List provides a snapshot of our planned corporate dialogues for the year, as well as our anticipated areas of policy work. Many of the themes, companies, and policy initiatives identified here have been on our agenda for many years, if not decades. As always, we look forward to progressing on the work our clients count on us to undertake as part of our commitment to their financial well-being.

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Introduction

May you live in interesting times. Often said ironically, the phrase is meant to capture the anxiety that comes from living in "interesting times." And as we launch this, the 24th edition of our Focus List, the times are, to say the least, interesting.

The challenges we saw developing in 2024 have carried into 2025 with a bang. The anti-ESG movement in the U.S. that had really started to pick up steam last year has been bolstered by the election of a new administration that has doubled down on the tactic, with diversity, equity and inclusion (DEI) and climate the two areas getting the most (negative) attention. We are seeing companies walk back their public DEI policies and commitments, while some investors and banks have likewise abandoned net-zero collaborations in response to pressure from U.S. lawmakers. (Spoiler alert: Almost none of them have actually stated they won't continue to work on these issues.)

A mediocre COP29[1] capped off a year of seemingly revived growth in fossil fuel demand that saw many oil and gas firms tamp down their transition ambition. The decision by the Trump administration to once again leave the Paris Agreement and to scale back the climate-friendly aspects of the Inflation Reduction Act portend further challenges to come on climate policy. Meanwhile, Canada is headed into its own federal election, where the outcomes for climate policy are anything but certain. All this against the backdrop of the January wildfires in California with an initial estimated economic loss of US$135-US$160 billion,[2] which is a stark reminder of what is at stake.

The growth of artificial intelligence and the mad rush to capitalize on what many think will be a game-changing technology comes at the same time we are seeing the real world divisions and misinformation that can stem from digital technologies, not to mention the growing footprint of the data centres required to enable these technologies. Add to this the ongoing conflicts around the globe, the ever-present risks to Indigenous Peoples from a resource-hungry economy, and the injection of economic uncertainty from a bubbling global trade war.

It can all seem a bit too… interesting.

However, we have been here before. It took years of dedicated engagement to get companies (and investors) to embrace the materiality of environmental, social and governance factors, and even longer to start truly weaving them into business strategy. We were able to persevere because the business case simply made sense. And it still does. Companies cannot "unsee" what they have seen: These are material issues that have bottom-line impacts. Nothing has occurred that would fundamentally change that calculus, and we believe that companies and investors alike will continue to advance on these issues. The experience to date has proved this out, and our conversations with companies, even those based in the U.S., tells us there is reason to believe when they tell us they remain committed.

There is also reason to believe investors will resist a complete rolling back of the clock. Amid the political push on anti-ESG measures in 2024, some 90 anti-ESG themed shareholder proposals made it onto the ballot of companies for a vote. The average level of support? Less than 2%.[3] At least for now, there is no sign that investors have been convinced by the anti-ESG arguments.

None of this is to say there will not be some backsliding this year on critical issues by some important players. We absolutely expect that there will be. That is why our stewardship efforts are even more relevant and important in these uncertain times. We are coming to the table from a place of strength, sitting atop the hard-fought gains of the last 20+ years. Interesting times indeed.

[1] 29th Conference of the Parties to the United Nations Framework Convention on Climate Change.
[2] "L.A. Wildfires Among the Costliest in Recent History," Felix Richter, Statista, January 13, 2025, https://www.statista.com/chart/33752/total-costs-and-economic-losses-of-natural-disasters-in-the-us/.
[3] "Anti-ESG proxy votes surge but they're not passing," Robert Freedman, Legal Dive, October 3, 2024, https://www.legaldive.com/news/anti-esg-proxy-votes-surge-but-do-not-pass-conference-board-welsh-SI2-harvard/728899/.

Governance

Good governance is such an essential underpinning of corporate performance that we do not consider it to be a separate theme, since it crosses almost every topic we engage on. We most directly touch on governance through our proxy voting, where our voting decisions are strategically linked to the outcomes we are seeking in our engagement efforts. We anticipate that it will be an interesting proxy season this year, with many of our focus themes landing on the ballot despite the political pushback on ESG.

The board's oversight function, and its responsibility to guide corporate strategy, has always been relevant when addressing topics such as climate change or corporate culture. We've seen boards become increasingly sophisticated in how they address these issues and ensure they have the right skills and training to carry out their oversight effectively. Emerging topics such as cyber security and artificial intelligence will continue to stretch boards beyond the business-as-usual risks and will require new skills and experience to effectively address them.

Policy activity

It is likely to be a topsy-turvy year for policy activity in 2025. We anticipate a significant amount of effort will need to be directed toward preserving some of the previous policy gains investors have made across several fronts, but most certainly when it comes to climate-related policies and regulations.

In the U.S., most everything will be on the table, from methane regulations to vehicle emission standards. In Canada, much is riding on the federal election, but it is already clear that investors will need to be vocal in supporting climate-related policies and regulations, particularly as policymakers react to changes south of the border. Some regulations have broad support from both companies and investors and as such might be untouched, while in other places the policy opportunities may lie at the state or provincial level, which will act as a countervailing force to the federal push to deregulate. We also anticipate that investor rights may face challenges at the U.S. Securities and Exchange Commission, something investors will certainly be prepared to rally against.

There may also be some rare areas of common ground across the political and cultural divides. Concerns about data privacy and artificial intelligence might enjoy broad support as governments struggle to ensure that guardrails are in place to ensure the potential upside of digital technologies can be realized while protecting citizens. In Canada, the growing chorus for cross-provincial trade barriers to be removed may also open the door to opportunities for a truly national electricity strategy that builds off each province's unique strengths and opportunities for clean energy production.

Regardless of the opportunity, investors will need to increase the sophistication of their approach to policy and deepen their understanding and commitment to driving systemic change through policy and standards.

Indigenous reconciliation

Our belief that corporations must respect and uphold Indigenous rights in the process of doing business is fundamental to our stewardship program. Using the energy transition as an example, we can see how critical it is to address the complexities and nuances of the relationship with Indigenous rights holders.

Traditional energy projects, such as those in the oil and gas sector, are often associated with conflict with Indigenous communities. There is a long history of projects being built on Indigenous lands without the consent of local nations. At the same time, many Indigenous communities have established strong economic ties to the energy sector, and as we look to transition away from fossil fuels, these communities must be at the table, as is their right.

Similarly, the urgent need to transition to renewable sources of energy cannot come at the expense of Indigenous rights, as many of the projects are located on traditional and unceded territory. This is particularly true for the mining of critical minerals needed to support the growth of clean technologies. The global focus on developing new mines must embrace the concept of free, prior and informed consent for Indigenous communities to ensure a just transition occurs.

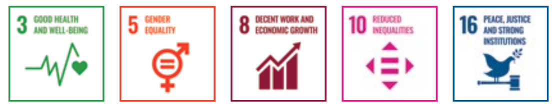
Regardless of the opportunity, what should be clear is that Indigenous communities must be involved from the start with a genuine say in how projects, regulations and standards are developed. We know that companies and investors are still evolving how they can best embody reconciliation, which we see as a business imperative. While the conversation around Indigenous rights is often framed in the context of risk management, which is valid, we believe it should also be framed around mutual opportunity. We hope to see a greater focus on shared prosperity this year, and we will continue to address the subject through our engagement, proxy voting and policy work.

In the following pages you will find the key themes NEI will tackle in 2025 and the names of the 40 companies on our list this year. Our broad themes of net-zero alignment, natural capital and social capital have carried over from last year, though there are some new sub-themes we will be digging into and some new companies on our list.

Social capital

- Human rights risks in the supply chain
- Digital rights
- Human capital
- Equitable compensation
- Equitable access

UN Sustainable Development Goals



Natural capital

- Deforestation
- Water
- Advancing better chemistry

UN Sustainable Development Goals

Net-zero alignment

- Net-zero commitments and just transition plans
- Reducing methane emissions
- Responsible mining
- Circularity

UN Sustainable Development Goals

Social capital

A company's relationship with its stakeholders—its social capital—is one of the most intuitively material risks it faces. The success of a business is clearly linked to its ability to attract and retain the best employees, while fostering a workplace culture that empowers innovative thinking and treats safety and wellbeing as top concerns. Relationships with Indigenous communities, community stakeholders, and host governments have a direct and consequential impact on a company's license to operate, and growing scrutiny on the human rights risks of companies, directly or through their supply chains, brings reputational, regulatory and legal risks.

Our social capital sub-themes capture the breadth of material issues and reflect several topics currently gaining attention, whether it is concern over artificial intelligence and misinformation in the technology space or the pressure companies are facing to walk back diversity-related programs. We expect this to be a year that social capital issues take prominence.

Potential areas of policy focus

- Workforce disruption from AI transformation; impacts on labour dynamics, employment and inequality in Canada
- Monitor fragmented global AI regulations; track shifts in the legal landscape that may heighten systemic risk and identify significant issues to advocate for improved safeguards.

Human rights risks in the supply chain

Long-term objective: Human rights risks are identified and mitigated, and violations are remedied throughout the supply chain.

Years of focus from investors, civil society, and increasingly governments on the human rights risks found in supply chains has increased our collective understanding of the risks, improved corporate disclosure on supply chains, matured the process of social auditing and increasingly led to real instances of remedy. Apparel companies in particular have faced the reputational impacts that come from brand association with human rights violations and poor working conditions, but now we see similar material risks manifesting in other sectors as well, including the solar industry. Increased regulatory scrutiny, such as Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act, has put pressure on companies to enhance their disclosure, and by extension their understanding, of supply chain exposure to these risks.

As awareness has increased, there has been a growing recognition of the limits of approaches taken to date and how they might not actually be mitigating the material risks investors are concerned about. Audits may not be as robust as previously assumed, either by design or because of the real limitations placed by host states on independent auditors. Sub-contracting of key services and activities has made it apparent that major suppliers might be burying their human rights risks further down the chain, increasing the difficulty for companies to gain line of sight on key risks. Despite the progress made to date, much more is needed.

We will continue to ask companies to enhance their supply chain-related disclosure by detailing the coverage of their auditing programs, identifying the issues found, and disclosing the compliance action plans put in place to address shortcomings. We'll also continue to encourage them to enhance their human rights due diligence processes to improve the rigour and effectiveness of their supply chain monitoring, while identifying opportunities for remedy. We intend to leverage our collaboration with the KnowTheChain initiative to best target our work.

Digital rights

Long-term objective: Companies have robust systems in place to uphold digital rights and mitigate risks.

Generative AI has evolved from experimental text generation tools to enterprise-level systems capable of processing images, audio, and video, enabling semi- and fully-automated applications. While each technological iteration unlocks transformative potential, intense competition to innovate can create conflicting pressures to deploy AI systems in a manner that may not respect digital rights.

The regulatory landscape has shifted significantly, with the European Union prioritizing digital protections through its AI Act, which targets high risk systems, and the Digital Services Act, which requires content moderation and algorithmic transparency for large social media platforms. Meanwhile the U.S. has opted for federal deregulation of AI. Rapid technological advancements combined with regulatory fragmentation deepen existing concerns related to data privacy and the spread of misinformation, while introducing new threats such as workforce disruption. Companies failing to prioritize digital rights in this complex environment face heightened risks of non-compliance, litigation, and reputational damage.

We will continue to evaluate AI use cases in high-risk sectors, advocate for responsible AI principles and governance frameworks, prioritize enhanced human rights due diligence for companies developing general-purpose AI, and promote corporate transparency.

Human capital

Long-term objective: Workers are respected, treated equitably, and paid fairly.

Human capital is perhaps one of the most obviously material issues for companies, since they are wholly dependent on it for their profitability, their sustainability and indeed their very existence. As such, we expect companies to be focused on ensuring they are able to recruit and retain the best talent, while fostering a workplace culture that empowers employees to act ethically and embrace innovation. Our work to promote safe, diverse and equitable workplaces has always been linked to these goals. Despite a growing backlash against the terms "diversity, equity and inclusion" and a misconstruing of the purpose of these programs, we will continue to suggest that companies actively work to create environments that attract top talent, while ensuring the primacy of employee health, safety and wellbeing. The business case for diversity and inclusion has not changed, nor has our focus on merit, as we see the two are intimately linked.

While we anticipate that companies will increasingly distance themselves from the language of DEI in the coming year, we will be focused on ensuring they are still committed to the principles as a matter of business imperative.

Equitable compensation

Long-term objective: Executive compensation is reasonable and tied to positive non-financial results.

Equitable compensation is a material issue for investors at both a macro and a micro level, yet it continues to receive relatively little attention. Excessive pay packages have a host of potential downsides at the corporate level, from creating misaligned incentives and encouraging excessive risk-taking to lowering employee morale. Despite the mantra of "pay for performance" that compensation committees often reference, the sheer size of executive pay packages and the relatively insignificant impact on compensation that corporate underperformance brings makes this defence look increasingly shaky. We believe that investors should be much more discerning when it comes to approving the use of shareholder capital for executive pay.

At the macro level, the International Monetary Fund (IMF) notes that while there have been very positive developments when it comes to global inequality (i.e., inequality between countries and regions) over the last 30 years, the degree of in-country income inequality has increased across 90% of advanced economies over that same time. The IMF notes that growing inequality can erode social cohesion, lead to growing political polarization and ultimately lower economic growth. We are seeing these risks manifest in real time and while executive compensation is clearly not the only contributor to this phenomenon, it surely isn't helping.

We will look to increase investor scrutiny of excessive pay while pushing companies to incorporate more vertical pay metrics (such as CEO pay relative to employee pay) when considering how best to motivate executives for the long-term benefit of the company and its stakeholders.

Equitable access

Long-term objective: Fair and inclusive access to goods and services.

Inflationary pressure and widening income inequality are amplifying the financial burden of accessing healthcare and essential medicines, which in turn heightens public scrutiny of corporate pharmaceutical practices. These trends threaten individual health outcomes and create systemic risks, undermining workforce productivity and consumer wellbeing that can have economy-wide effects. Healthcare companies face a dual imperative to sustain profitability while ensuring equitable access, particularly for marginalized and high-risk populations. Failing to achieve both objectives can lead to reputational risk, regulatory actions (e.g., investigations into pharmacy benefit managers), and legal challenges such as class action lawsuits over discriminatory pricing models.

To align corporate practices with equitable access goals and mitigate risks, we will advocate for improved transparency from U.S. healthcare insurers on coverage decisions, promote the integration of patient outcome metrics such as reduced hospitalizations , and encourage pharmaceutical manufacturers serving high disease-burden populations to adopt equitable distribution strategies for essential therapies.

Table 1: Social capital – selected companies in focus

Company	Sector	Sub-theme	Company-specific objective	Category objective
Alphabet	Communication services	Digital rights	Enhance disclosure on the company's human rights due diligence related to the development, deployment and use of AI.	Improve disclosure
LVMH	Consumer discretionary	Human rights risks in the supply chain	Enhance disclosure on supply chain, audit and human rights due diligence processes.	Improve disclosure
UnitedHealth Group	Health care	Equitable access	Improve transparency on insurance coverage decisions.	Improve disclosure

There is often more than one sub-theme and/or objective associated with each company; only one sub-theme and objective is included in this table for illustrative purposes. Objectives are subject to change as engagements evolve over time.

Natural capital

Natural capital is a global asset that underpins our economy yet is so ubiquitous in its presence that it is easy to take for granted. Businesses have a complex web of impacts and dependencies on nature that bring both risks and opportunities, but it is not easy for investors to parse them out. This is a theme which is probably the least developed when it comes to the information and tools required to manage risks effectively, and much of the conversation around natural capital is focused on building a more comprehensive understanding of impacts and dependencies. However, some clearly material risks with readily definable mitigation strategies have risen to the top of our list.

Potential areas of policy focus

- Support for legislation requiring better disclosure, management and eventual phasing out of persistent and hazardous chemicals
- Support for the creation of Indigenous Protected Conservation Areas
- Ongoing development of disclosure standards for impacts and dependencies, such as through the Taskforce for Nature-related Financial Disclosures and the Canadian Sustainability Standards Board

Deforestation

Long-term objective: Eliminate commodity-driven deforestation and conversion of natural ecosystems.

The conversion of natural ecosystems for the processing and production of commodities such as palm oil, soy, beef and pulp & paper can have significant impacts on nature's ability to provide the key benefits we rely on, while also removing a critical means of reducing greenhouse gas emissions. Deforestation from commodities has direct reputational risks for brands that don't want to be associated with the destruction of critical rainforests, or be found culpable for the severe impacts to the rights of Indigenous communities whose traditional territories exist in those forests. The risks of commodity-driven deforestation have become increasingly clear, as has the sophistication with which companies have looked to assess and mitigate their exposure to these risks.

We will continue to focus our deforestation work on the agricultural industry and the downstream users of key commodities to increase the use of independently verified deforestation-free commodities, enhance supply chain mapping and disclosure, and develop deforestation-free policy commitments. We will continue to work in collaboration with other investors of the Finance Sector Deforestation Action initiative to close the gap between the leading companies on this issue and the rest of the pack.

Water

Long-term objective: A sustainable supply of water for society and business.

Water scarcity has become a critical financial threat, exacerbated by accelerating climate volatility, with many global technology companies operating in water-stressed regions. Semiconductor manufacturing and data centers consume large amounts of water and face escalating operational risks as they compete with municipal demand in water-stressed regions. Companies must align operational consumption with ecological carrying capacities while balancing community health and economic prosperity, as poor water stewardship can lead to regulatory action and impact companies' license to operate.

The Ceres Valuing Water Finance Initiative remains central to our strategy. We will continue to lead and co-lead on collaborative engagements through the initiative, while expanding to engage other companies with data center and semiconductor operations. Our focus will be to ensure strategic alignment between business growth and water management priorities, evaluate operational and supply chain risk management practices, and promote water-related ecosystem protection.

Advancing better chemistry

Long-term objective: Phase out the use of persistent chemicals and develop safer alternatives.

Chemicals are ubiquitous in our economy and provide numerous benefits ranging from waterproofing our raingear to keeping our food fresh to acting as essential catalysts in key industrial processes. Yet as the development of new chemistries continues to accelerate, so does our understanding of the impacts these chemicals are having on our ecosystems, our economy, and our health.

The most concerning category of chemicals are per- and polyfluoroalkyl substances, or PFAS, known as "forever chemicals" because of their persistence in the environment. Among the effects associated with PFAS are low birth weights in infants, impaired immune systems and thyroid, kidney and testicular cancers.[4] Alarmingly, studies have found these chemicals in almost every ecosystem in the world and in the blood of almost every person alive today.[5]

As a result of the increasing body of knowledge about the risks of using these persistent chemicals, the reputational and legal risks to companies associated with their production and use is growing substantially. Insurance companies are beginning to refuse to cover PFAS-related risks in light of the growing legal risks and the trend toward large settlements against chemical manufacturers. In the U.S. alone, more than 10,000 PFAS complaints have been filed against 418 companies, leading to US$17 billion in negotiated settlements and even in some cases leading to bankruptcies.[6] Considering the widespread use of PFAS across various sectors, this represents a material risk to investors and one that is growing in significance every day.

Through our involvement with the Investor Initiative on Hazardous Chemicals, we will encourage companies exposed to the risks of hazardous and persistent chemicals to undertake three actions: increase transparency on their exposure to hazardous chemicals; commit to phasing out products that are or that contain persistent chemicals; and develop a strategy for the creation and/or use of safer solutions.

[4] "Emerging chemical risks in Europe – PFAS," European Environment Agency, December 16, 2019, https://www.eea.europa.eu/en/analysis/publications/emerging-chemical-risks-in-europe.

[5] "Serum Biomarkers of Exposure to Perfluoroalkyl Substances in Relation to Serum Testosterone and Measures of Thyroid Function among Adults and Adolescents," Lewis, Johns and Meeker, National Library of Medicine, May 29, 2015, https://pmc.ncbi.nlm.nih.gov/articles/PMC4483690/.

[6] "Why Insurers Should Develop Strategies for Estimating PFAS Loss Reserves," Groth, Grulkowski, Anderson, Loughran and Tibbets, Carrier Management, March 14, 2024, https://www.carriermanagement.com/features/2024/03/14/259981.htm?bypass=6464f2ee9dc338c1c74ca7d4; "3M Reaches $10.3 Billion Settlement in 'Forever Chemicals' Suits," Lisa Friedman and Vivian Giang, The New York Times, June 22, 2023, https://www.nytimes.com/2023/06/22/business/3m-settlement-forever-chemicals-lawsuit.html; "Fire protection company Kidde-Fenwal files for bankruptcy citing PFAS lawsuits," Dietrich Knauth, Reuters, May 15, 2023, https://www.reuters.com/legal/fire-protection-company-kidde-fenwal-files-bankruptcy-citing-pfas-lawsuits-2023-05-15.

Table 2: Natural capital – selected companies in focus

Company	Sector	Sub-theme	Company-specific objective	Category objective
Amazon	Consumer discretionary	Water	Conduct an assessment of water risks in the supply chain.	Create or improve a policy or practice
Bank of America	Financials	Deforestation	Set a commitment for deforestation-free lending.	Create or improve a policy or practice
Nutrien	Materials	Advancing better chemistry	Improve disclosure on the use and management of persistent chemicals.	Improve disclosure

There is often more than one sub-theme and/or objective associated with each company; only one sub-theme and objective is included in this table for illustrative purposes. Objectives are subject to change as engagements evolve over time.

Net-zero alignment

Despite the significant regulatory uncertainty and concerted political effort to derail investor and corporate net-zero commitments in the U.S., the materiality of the topic and the imperative to address it remain unchanged. If anything, the current uncertainty will only heighten the risks facing companies if it leads to their inaction. The science is unambiguous and inescapable, and the trajectory clear. Companies that do not adapt their business model to fit a low-carbon future will face increased regulatory risks, fail to capture potential opportunities, and run the risk of demand destruction.

In 2021, as part of our climate strategy, we set ambitious targets for 2025 when it comes to engaging our highest-emitting companies. Our internal alignment framework, developed using guidance from the Net Zero Investment Framework, assesses the high-impact companies in our portfolio on their alignment with a net-zero pathway. Our goal for 2025 is that high-impact companies responsible for 70% of our portfolio's financed emissions will either be aligned and on a trajectory toward a credible net-zero path, or they will be the subject of engagement on the aspects they need to implement to get them there.

Potential areas of policy focus

- Finalizing mandatory climate-related disclosure rules through the Canadian Securities Administrators
- Supporting existing rules on methane emissions in the oil and gas sector
- Promoting alignment of critical mineral policies with responsible mining standards that respect the rights of Indigenous communities

Net-zero commitments and just transition plans

Long-term objective: Company strategy, capital expenditures and emissions reduction targets and performance are aligned with a net-zero pathway.

Ongoing political uncertainty about the fate of climate-related regulation continues to complicate engagement with high emitting sectors, such as the energy sector, where the focus on robust transition plans hinges on different interpretations of when that transition will happen. Finding the way forward will require a delicate balance of corporate ambition and investor appetite for risk, but the growing physical risks of climate change make finding this balance a necessity.

The move to electrify much of the economy, combined with the potential explosion of data centres to fuel the boom in artificial intelligence, means demand for power generation could increase drastically. If this demand is met through the increased use of fossil fuels it will imperil any chance we have of achieving a low-carbon economy. This makes the focus on net-zero strategies for the utility and technology sectors a real imperative in 2025. We expect tech companies to innovate ways to dramatically increase the efficiency of the AI value chain, from chips to data centres, while also expecting utility companies to develop plans to meet the growth in demand with clean energy sources. As well, we anticipate that the very companies driving the increase in demand due to their rapidly expanding use of AI might hold the digital solutions required to make our grids smarter and our energy use more efficient.

We will continue to deepen existing dialogues with companies on setting ambitious targets and developing robust transition plans, ensuring their lobbying activities align with their climate commitments, and making sure their capital expenditure plans align with their targets. As 2025 will be a milestone year for our own financed emissions engagement target, we will be expanding the scope of our engagements to include even more names from high-impact sectors, while continuing to engage the banking sector on its important role in financing the transition.

Reducing methane emissions

Long-term objective: Methane emissions are near zero in line with the Global Methane Pledge and Canada's methane targets.

While debate about the long-term demand for fossil fuels continues, there is one aspect of the oil and gas industry that everyone agrees will be paramount going forward, namely the imperative to greatly reduce methane emissions. Methane plays an outsized role in global warming (over 80x the impact over a 20-year period) and the oil and gas industry is one of the biggest sources of methane from human activities. Regardless of whether we see the industry contract in the face of decreasing demand or expand the use of natural gas and liquid natural gas to feed growing energy needs, reducing methane is one of the best ways for the sector to reduce its emissions in a cost-effective manner. In fact, the viability of natural gas in particular as a bridge solution for the energy transition will in part rely on effective mitigation of methane emissions. Absent a near-zero methane footprint, the case for continued use of natural gas will be significantly weakened, which is a clear material risk for today's producers.

The good news is, the industry has been quite effective in reducing methane emissions already and many of the solutions are available now. However, there remains significant uncertainty surrounding the ability of the oil and gas industry to effectively measure and report on methane emissions. Field studies have consistently shown a material undercounting of methane emissions by traditional measurement and reporting techniques. The rapid advancement of new, direct measurement technologies (such as the use of drones or planes fitted with methane-detecting sensors, or satellites focused on detecting methane) means that more accurate measurement—and thus more effective mitigation—is possible, and practical. Without accurate measurement of emissions there is no way to determine whether companies are allocating capital to the most efficient and effective mitigations.

We will continue to stress the importance of improving methane measurement and mitigation and will continue to encourage companies to join the Oil & Gas Methane Partnership (OGMP) 2.0 initiative, a multi-stakeholder collaboration that commits companies to the increased use of direct measurement technologies and the setting of ambitious targets.

Responsible mining

Long-term objective: Majority of global mining operations follow responsible mining standards.

It is hard to think of almost any manufactured item or piece of infrastructure that doesn't in some way rely on mined materials. From the steel and concrete that shape our buildings' foundations to the metals and minerals that make our smartphones and the screen you are likely reading this on, mining is essential to the modern world. As we look to transition to a low-carbon future based on renewable energy and electric vehicles, we will need even more access to critical minerals.

The International Energy Agency projects a 30-fold increase in demand for lithium and a 10-fold increase in rare earth minerals alone by 2030. We have probably never been more dependent on the success of the mining industry than we are now. It is a huge, economy-wide supply chain risk, but particularly acute for the high-tech and low-carbon industries dependent on critical minerals.

How that mining happens matters, and it matters a lot. Mining operations, past and present, have been associated with sometimes dramatic environmental impacts, particularly on water, as well as human rights violations and conflict with Indigenous communities, to name a few challenges. To continue to scale the mining industry at the rate required, without a commitment to best practices and continuous improvement, will mean increased conflict, delays and outright opposition to projects. This represents a material risk not just for mining companies, but for the companies (and their investors) banking on the supply of key minerals to fuel the booming demand for clean technology.

We will continue to highlight the importance of responsible mining with both mining companies and with the downstream users of mined materials. We will continue to guide companies to engage with the Initiative for Responsible Mining Assurance (IRMA), a third-party audited, best practice mining standard. [7] IRMA has an equal governance model that sees civil society and mining-affected communities wield the same power as mining companies and downstream users when it comes to governance of the standard.

Circularity

Long-term objective: Companies adopt circular business models that eliminate waste and maximize value.

A circular economy is one that seeks to retain the highest value from our resources for as long as possible, by designing out waste and leveraging innovative business models focused on optimal material use, re-use, repair, refurbishment, recycling and nature regeneration. That definition comes from Circular Economy Leadership Canada (CELC), a group that NEI helped found and continues to work with to help drive the shift to a circular economy.

The business case for circularity is compelling. At a time when businesses are facing mounting costs, be they economic, environmental or social, the current linear model promises to compound those costs. Consider the embedded value in the components of a typical smartphone. From the mining and processing of the minerals, to the further refinement and manufacturing of individual components, to the travel of all those pieces along the value chain to end up in your hands –all that added value is lost the moment the device is thrown away. As resources become increasingly scarce and the cost to dispose of materials continues to rise, a linear approach to business makes less and less sense. Combined with the embedded carbon that was required to make the landfill-bound item, it represents a wasteful approach and a poor business model.

A study by Bocconi University and the Ellen Macarthur Foundation found that the higher the circularity of a business, the lower the risk of defaulting on debt, and the higher the risk-adjusted returns on its stock.[8] Companies that embed circular business strategies can avoid regulatory risks and reduce their exposure to supply chain disruptions and the inherent volatility of resource prices.

We'll continue to engage with companies on creating opportunities through more circular business models while working with the CELC and others to build broader momentum toward a circular economy.

[7] NEI Head of Stewardship Jamie Bonham sits on the board of IRMA.

[8] "The circular economy as a de-risking strategy and driver of superior risk-adjusted returns," Ellen MacArthur Foundation in collaboration with Bocconi University and Intesa Sanpaolo, July 21, 2021, https://www.ellenmacarthurfoundation.org/the-circular-economy-as-a-de-risking-strategy-and-driver-of-superior-risk.

Table 3: Net-zero alignment – selected companies in focus

Company	Sector	Sub-theme	Company-specific objective	Category objective
Enbridge	Energy	Reducing methane emissions	Enhance measurement and monitoring of methane emissions.	Create or improve a policy or practice
NVIDIA	Information technology	Responsible mining	Improve the integration of responsible sourcing criteria.	Create or improve a policy or practice
Capital Power	Utilities	Net-zero alignment	Enhance transition plan ambition and implementation.	Create or improve a policy or practice

There is often more than one sub-theme and/or objective associated with each company; only one sub-theme and objective is included in this table for illustrative purposes. Objectives are subject to change as engagements evolve over time.

Companies in focus

The companies identified below represent the starting point for our 2025 engagements. Typically, as a result of this engagement work and through our ongoing evaluations and holdings analysis, we will engage additional companies on these and other issues as the year progresses. Companies are selected based on multiple criteria, including their connection to our identified themes, our exposure within our investment portfolios, and the materiality of the risk. With respect to their non-financial performance, companies may be ahead of peers, behind them, or average.

Communication services

- Alphabet
- Meta Platforms

Consumer discretionary

- Amazon
- Aritzia
- LVMH Moet Hennessy Louis Vuitton
- Magna International
- Walmart
- Walt Disney

Consumer staples

- Loblaw Companies

Energy

- Enbridge
- Canadian Natural Resources
- TC Energy

Financials

- American Express
- Bank of America
- Bank of Montreal
- Chubb
- JPMorgan Chase
- National Bank of Canada
- Royal Bank of Canada
- Toronto-Dominion Bank
- Travelers Cos.

Health care

- AbbVie
- Novo Nordisk
- UnitedHealth Group

Industrials

- Cargojet
- Mullen Group
- Siemens

Information technology

- Apple
- Microsoft
- NVIDIA
- Taiwan Semiconductor Manufacturing

Materials

- Air Liquide
- Nutrien
- Winpak

Real estate

- American Tower
- RioCan Real Estate Investment Trust

Utilities

- American Waterworks
- AltaGas
- Capital Power
- NextEra Energy

Companies held by fund

This table shows how many focus companies are intended to be engaged per fund along with fund assets under management attributable to those companies as of January 30, 2025. The number of companies adds up to more than the 40 identified on page 17 due to holdings overlap among funds. Holdings are subject to change without notice.

Fund name	No. of companies	Fund AUM
NEI Money Market Fund	4	74%
NEI Long Short Equity Fund	20	37%
NEI U.S. Equity RS Fund	12	35%
NEI Global Equity RS Fund	13	30%
NEI Canadian Dividend Fund	12	27%
NEI ESG Canadian Enhanced Index Fund	17	27%
NEI Global Equity Pool	15	27%
NEI Canadian Equity RS Fund	9	24%
NEI Canadian Equity Fund	13	21%
NEI Canadian Small Cap Equity RS Fund	5	20%
NEI Environmental Leaders Fund	6	17%
NEI Global Value Fund	4	17%
NEI Global Growth Fund	4	17%
NEI Canadian Bond Fund	7	15%
NEI Canadian Equity Pool	5	13%
NEI Fixed Income Pool	8	11%
NEI Emerging Markets Fund	1	10%
NEI Global Sustainable Balanced Fund	10	9%
NEI Global Corporate Leaders Fund	3	9%
NEI International Equity RS Fund	3	8%
NEI Global Dividend RS Fund	< 5% per fund	
NEI Canadian Impact Bond Fund		
NEI Canadian Small Cap Equity Fund		
NEI Clean Infrastructure Fund		
NEI Global Total Return Bond Fund		
NEI Global Impact Bond Fund		
NEI Global High Yield Bond Fund		
Total NEI AUM targeted for engagement	17%	

Collaborations

NEI participates in many organizations with the goal of helping companies better manage risk as they strive to grow and maintain sustainable value. We also participate in policy working groups and other related collaborative initiatives.

Group name (alphabetical order)	NEI role*	Date joined
Access to Medicine Foundation	Investor member; Expert Review Committee (2024), Independent external reviewer of 2024 Access to Medicine Index Report	2018
Canadian Coalition for Good Governance	Member of E&S Committee	2005
Canadian Sustainability Standards Board	Board member	Inception 2023
CDP (formerly Carbon Disclosure Project)	Signatory; participant in Non-Disclosure Campaign, Science-Based Targets Campaign	2006
Ceres	Investor participant in Valuing Water Finance Initiative (lead on one engagement, co-lead on one other); participant in Carbon Asset Risk Working Group, Canadian O&G Working Group, Midstream Working Group	2008
Circular Economy Leadership Canada	Founding member	2019
Climate Action 100+	Lead and co-lead on two engagements, participant in others	Inception 2017
Climate Engagement Canada	Founding participant; member of Technical Committee; co-lead or lead on four engagements, participant in five others	Inception 2021
Energy Futures Lab	Ambassador; participant in the Alberta Competitiveness Advisory Committee	2019
Finance Sector Deforestation Action	Co-lead on two engagements, participant in others	2021
Initiative for Responsible Mining Assurance	Investor board member; member of executive committee	2021
Interfaith Center on Corporate Responsibility	Associate member; participant in Methane Leadership Group, Finance Working Group , and Health Equity Working Group	2006
International Corporate Governance Network	Co-chair of Human Capital Committee, Member of Global Policy Committee	2008
Investor Alliance for Human Rights	Advisory committee member, co-lead on one Ranking Digital Rights engagement, participant in others	2018
Nature Action 100	Investor participant	2023
Principles for Responsible Investment	Sustainable Systems Investment Manager Reference Group; various collaborations over time (Methane Collaboration, Oil and Gas Advisory Committee, Transition Collaboration)	2006 (year PRI was formed)
Responsible Investment Association	Board member; executive committee member; sustaining member; participant in Policy Stewardship Group	1999
Taskforce on Nature-related Financial Disclosures	Forum member	2023
World Benchmarking Alliance	Investor participant in Collective Impact Coalition for Ethical AI, lead on two engagements, co-lead on one other	2022

*All as of February 28, 2025.

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