

2020-2021 ACTIVITY REPORT

ANALYSIS AND
IMPACT OF
SHAREHOLDER
ENGAGEMENT
ACTIVITIES



Æquo carries out its work on behalf of its clients and partners:



Régime de retraite des employés de la CSN

**DESJARDINS
GLOBAL ASSET
MANAGEMENT INC.**



Régime de retraite des employés d'Hydro Québec



Regroupement pour
la Responsabilité
Sociale des Entreprises

Our MISSION

Æquo harnesses the collective power of investments from 360 organizations and retirement funds, representing close to 90,000 individuals, for an overall total of \$112 billion in savings and capital.

Our purpose is to amplify the impact of our clients and institutional investors, by guiding them in the implementation of responsible investment strategies.

Æquo's primary activity is leading shareholder engagement with listed companies on behalf of institutional investors seeking to integrate environmental, social and governance (ESG) practices into their investment strategies.

Æquo aims for a more sustainable economic system in which companies, encouraged by their investors, manage ESG risks and opportunities to create long-term value that benefits society as a whole.



1 We participate in CSA's technical subcommittee aimed at defining a taxonomy for the oil and gas sector.

MESSAGE FROM THE CHAIRWOMAN AND THE CEO

Celebrating Æquo's fifth anniversary

Dear partners,

In the wake of the pandemic storm, **sustainable finance certainly stood out**: ESG funds outperformed their benchmarks; markets welcomed the first sustainable bonds; major international asset owners (public service pension funds and sovereign wealth funds) worked collaboratively to define new tangible ESG impact measures; and the major banks finally agreed on new common methods for measuring climate risks. Lastly, as with critical public health issues, it is now clearer than ever that **addressing climate risks must go hand in hand with the fight against inequality**, since ecological conservation just isn't feasible without social justice.

The events of 2020 have undoubtedly illustrated the need for responsible investment practices, which played such a vital role. The work we have been doing these past five years is essential, and recent months attest to the importance of staying the course. Fortunately, Æquo has managed to adapt to these new organizational constraints, while ensuring the transition to telecommuting and focusing on what it does best—namely, engagement.

We discussed the topic of the pandemic in the majority of our dialogues. We made sure to take into account employees' health, both within companies as well as in their supply chains, for the benefit of long-term investors.

During this difficult period, Æquo stayed close to its clients to be able to meet their needs. By doing so, we were able to develop new services: climate policy, portfolio assessment, process maturity assessment, voting policy application audit, roadmap and training in responsible investment. **Our expanded range of services enabled us to end the year on a high note, by adding two major pension plans to our client roster.**

The year 2020 also saw the passing of Pierre Viau, Managing Director of RRSE, the organization that co-founded Æquo. As a member of Æquo's Board of Directors from the very beginning, Pierre was a driving force whose sense of social justice continues to inform everything we do. His successors, Caroline Bergeron (external director) and sister Jocelyne Morin (RRSE member) have brought their wealth of experience to ensure a brilliant and seamless continuity. Worth noting, as well, is that Arnaud, François and Jean-Philippe—three members who have been fully involved since the start of this journey—now also participate as company shareholders.

Despite the ups and downs, we are happy to report that 2020 was an exceptional year for Æquo, which is now celebrating five years since its founding.

Josée Cavalancia

Chairwoman of the Board

Jean-Philippe Renaut

CEO

PROCESS, METHODS AND RESULTS

SHAREHOLDER DIALOGUE: FOR SOUND INVESTMENT STEWARDSHIP

At Aequo, our engagement approach is aimed at improving companies' ESG practices, through **constructive and informed** discussion, on behalf of investors. Our objectives are clear and transparent, presented to companies as questions or recommendations, which enable us to thoroughly monitor the **impact of these efforts**. On average, we carry out two formal meetings per year with each company targeted by our engagement plan, in addition to numerous conversations, follow-ups, and research.

Along with individual dialogues, we also participate actively in investor collaborations pertaining to companies and specific issues, on behalf of our clients. These initiatives, to which we bring our unique expertise, lead to conversations among several investors and targeted companies, or result in joint statements, or participation in consultations on new regulations.

SELECTION OF COMPANIES

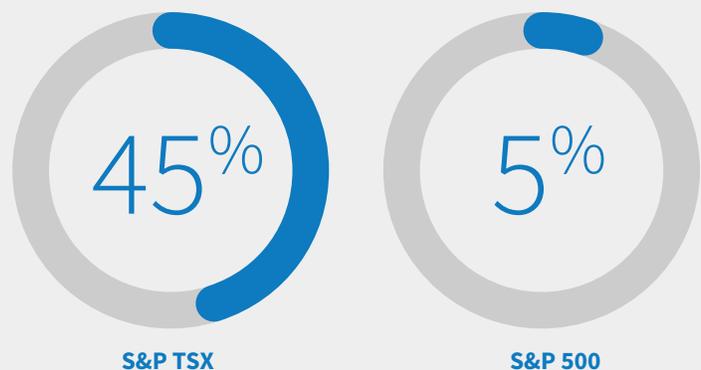
The companies in our engagement plans are chosen according to the following three criteria:

- Serious controversies and/or poor ESG performance, compared with their peers
- Potential for our process to have an impact, as evaluated according to the presence of a certain security in a significant number of our clients' portfolios, or according to our expertise and experience
- Dialogue continuity, when the previous year's engagement goals have not yet been met

Our 2021 engagement plan contains a Canadian plan, which consists of 34 companies, and an American plan, comprising 31 companies, for a total of 65 targeted dialogues. As in the past, other companies might be integrated during the year, depending on the potential opportunities and impact that the engagement pool could generate.

OUR MARKET COVERAGE

Aequo's shareholder engagement method generates impacts on the Canadian and American markets. The proportions of the stock market indices covered are as follows.



DIALOGUE TRACKING

Our dialogues are geared to the long term, generally continuing over several quarters. In fact, a change in companies' ESG practices does not happen overnight, and it is important for Aequo to create a climate of trust between our contacts and us.

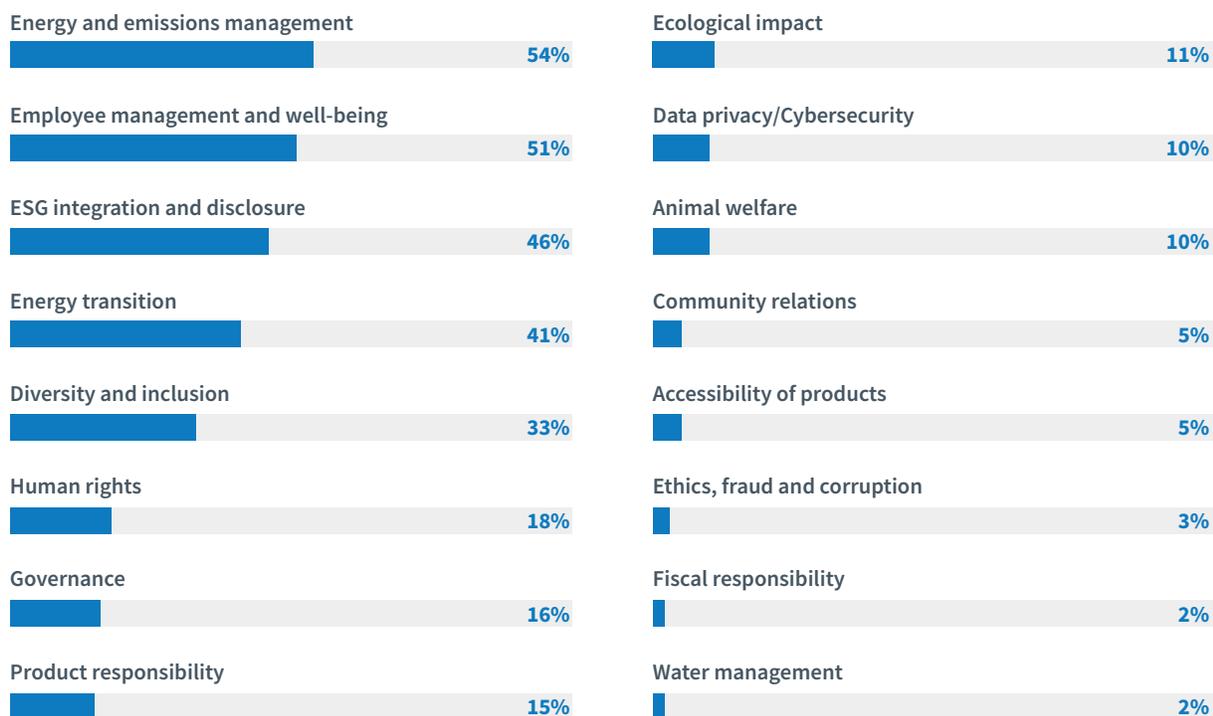
For each dialogue, we define objectives with measurable outcomes. To track their progress, we have developed an objective achievement scale.

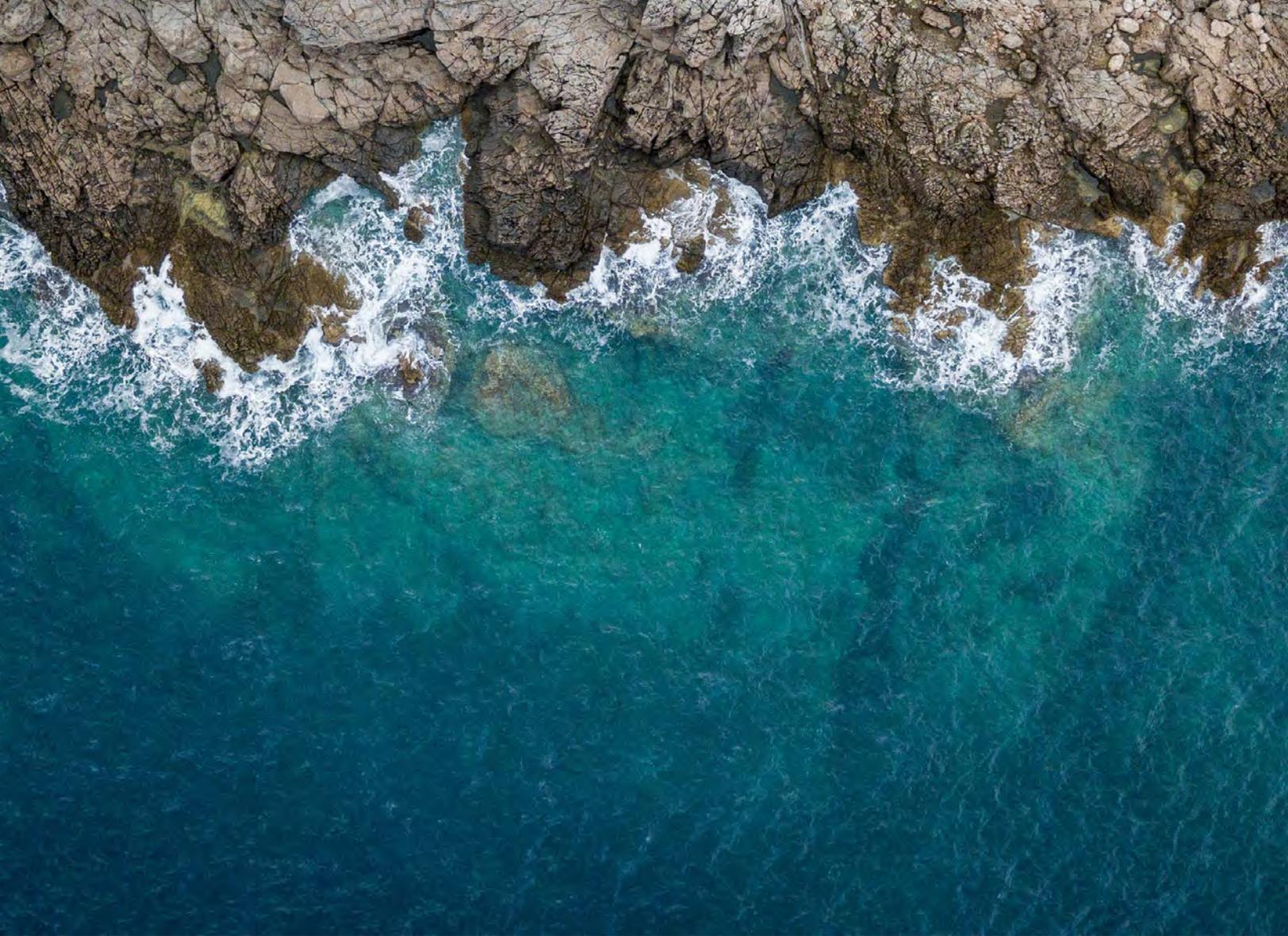
OBJECTIVE ACHIEVEMENT SCALE

0	Objective (for managing a risk) has been defined but not yet communicated to the company
1	Objective has been communicated to the company
2	Company has recognized the benefit of reaching the objective
3	Company has adopted a strategy for reaching the objective
4	Company has reached the objective

2020 INDUSTRIES, ISSUES AND RESULTS

MAIN ISSUES DISCUSSED IN 2020





We held dialogues with 61 companies in 2020, and none of the companies targeted by our 2020 engagement plan refused to meet with us. We discussed 16 ESG topics, including human-related issues (human rights, management and well-being of employees, and diversity and inclusion) with 66% of the companies, and climate issues with 61% of them.

We also continued our discussions on other important issues including the following: product accessibility and responsibility; plastic management; chemical substances and pesticides; and cybersecurity/data privacy.

In 2020, we made progress in 80% of our dialogues and achieved at least one goal for 44% of the companies. These impact statistics show an improvement compared with 2019.

The quality of the relationships we nurture with companies is at the heart of our mission's success. For example, we do not normally encourage filing a shareholder proposal, except as a last resort and in full transparency with the company. Since our last activity report, we filed two shareholder proposals (with CIBC and Imperial Oil), one of which (Imperial Oil) was put to the shareholders for a vote.

Visit our website at www.aequo.ca, especially the “News” section, for more information on our impact.

2020-2021 CANADIAN ENGAGEMENT PLAN AND MAIN ISSUES BY INDUSTRY

INDUSTRY	COMPANY*	E	S	G
Insurance	Fairfax Financial Holdings Intact Insurance (<i>not renewed in 2021</i>)	Climate resilience Energy transition	Cybersecurity and data privacy Diversity and inclusion	
Commercial banks	CIBC Bank Bank of Montreal Royal Bank Scotiabank TD Bank	Energy transition	Diversity and inclusion	Fiscal responsibility
Food retailers	Alimentation Couche-Tard Empire Company Loblaws Metro	Energy Management Ecological impact	Diversity and inclusion Human rights Employee management Product responsibility	
Specialized retailers	Canadian Tire Dollarama	Energy management Ecological impact	Diversity and inclusion Human rights Employee management Product responsibility	
Real estate	Allied (<i>not renewed in 2021</i>) CAPREIT (<i>not renewed in 2021</i>) Granite Real Estate Investments	Energy management Ecological impact Climate resilience	Diversity and inclusion	
Software and IT services	CGI Constellation Software Descartes Open Text	Energy management	Cybersecurity and data privacy Diversity and inclusion	Fraud and corruption
Mining	Agnico Eagle (<i>not renewed in 2021</i>) Barrick Gold First Quantum Minerals Pan American Silver Teck Resources Wheaton Precious Metals	Energy management Waste management Ecological impact	Local communities Diversity and inclusion Human rights Employee management	Fiscal responsibility
Oil and gas	Canadian Natural Resources Cenovus Energy Enbridge Imperial Parkland Fuel Pembina Pipeline Suncor TC Energy	Energy management Ecological impact Energy transition	Local communities Diversity and inclusion	
Automotive	Magna International	Energy management Ecological impact Energy transition	Diversity and inclusion Human rights Employee management	
Chemical products	Methanex (<i>not renewed in 2021</i>) Nutrien	Energy management Ecological impact	Diversity and inclusion	
Engineering and construction services	WSP	Energy management Energy transition	Diversity and inclusion Employee management	Fraud and corruption
Telecommunications services	Telus	Energy management	Cybersecurity and data privacy Diversity and inclusion Product responsibility	
Power utilities	Capital Power (<i>not renewed in 2021</i>) Fortis	Energy management Energy transition	Diversity and inclusion	

* New companies in the 2021 engagement plan are indicated in **bold**

2020-2021 AMERICAN ENGAGEMENT PLAN AND MAIN ISSUES BY INDUSTRY

INDUSTRY	COMPANY*	E	S	G
Processed foods	Mondelez International	Energy management Ecological impact	Human rights Diversity and inclusion Employee management Product responsibility	
Commercial banks	Bank of America Citigroup Citizens Financial Group (<i>not renewed in 2021</i>) First Republic Bank M&T Bank (<i>not renewed in 2021</i>) Truist (<i>not renewed in 2021</i>) U.S Bancorp	Energy transition	Diversity and inclusion	Fiscal responsibility
Biotechnology and pharmaceutical	Abbvie Biogen Johnson & Johnson Pfizer	Energy management	Accessibility of products Diversity and inclusion Employee management Product responsibility	
E-commerce	Amazon	Energy management	Cybersecurity and data privacy Diversity and inclusion Human rights Employee management	
Medication retailers	CVS Health Walgreens Boots Alliance	Energy management	Accessibility of products Diversity and inclusion Employee management Product responsibility	
Specialized retailers	Dollar General Dollar Tree Lowe's (<i>not renewed in 2021</i>) Target TJX Companies Wal-Mart	Energy management Ecological impact	Diversity and inclusion Human rights Employee management Product responsibility	
Real estate	Alexandria Real Estate (<i>not renewed in 2021</i>)	Energy management Ecological impact Climate resilience	Diversity and inclusion	
Software and IT services	Microsoft	Energy management	Cybersecurity and data privacy Diversity and inclusion Human rights Employee management	
Machines and industrial products	Caterpillar (<i>not renewed in 2021</i>)	Energy management Energy transition	Diversity and inclusion Human rights Employee management	
Mining	Newmont mining	Energy management Waste management Ecological impact	Local communities Human rights Diversity and inclusion Employee management	Fiscal responsibility
Oil and gas	Eog Resources Exxon Mobil Santos Limited (<i>not renewed in 2021</i>) Valero Energy Woodside Petroleum (<i>not renewed in 2021</i>)	Energy management Ecological impact Energy transition	Local communities Diversity and inclusion	

INDUSTRY	COMPANY*	E	S	G
Healthcare	Universal Health	Energy management	Accessibility of products Diversity and inclusion Employee management Product responsibility	
Household and personal products	Estée Lauder (<i>not renewed in 2021</i>)	Energy management Ecological impact	Diversity and inclusion Human rights Product responsibility	
Restaurants	McDonald's	Energy management Ecological impact	Diversity and inclusion Human rights Employee management Product responsibility	
Engineering and construction services	D.R Horton	Energy management Ecological impact Energy transition	Diversity and inclusion Employee management	
Telecommunications services	AT&T Verizon	Energy management	Cybersecurity and data privacy Diversity and inclusion Product responsibility	
Professional and commercial services	Costar Group	Energy management	Cybersecurity and data privacy Diversity and inclusion	
Power utilities	DTE Energy Public Service Enterprise	Energy management Ecological impact Energy transition	Diversity and inclusion	

* New companies in the 2021 engagement plan are indicated in **bold**

INVESTOR COLLABORATION INITIATIVES

Initiative	Type	Description	Involvement
Responsible Investment Association (RIA)	Organization	The <i>Responsible Investment Association</i> (RIA) is an association representing the industry in which Æquo and its clients operate.	Intermediate – Support role <ul style="list-style-type: none"> Member since January 2019 Member of selection jury for best responsible investment initiatives
ICCR	Organization	The <i>Interfaith Center on Corporate Responsibility</i> brings together religious communities with the objective of building a more just and sustainable world, by integrating social values in companies' and investors' actions.	Intermediate – Support role <ul style="list-style-type: none"> Member of various committees and participation in meetings
PRI	Organization	The PRI initiative helps signatories incorporate ESG issues into their decisions regarding investment and share ownership.	Advanced <ul style="list-style-type: none"> Signatory since Æquo's founding in 2015 Participant in various collaboration initiatives
Working group on risks associated with carbon assets	Working group	Led by the Ceres organization, the Carbon Asset Risk Working Group (CAR) brings together investors and focuses on dialogue with energy companies about issues related to climate risks.	Intermediate – Support role <ul style="list-style-type: none"> Participation in meetings Exchange of information related to companies in the action plan targeted by the initiative
Oil and gas technical subcommittee of the Standards Council of Canada (CSA) tasked with creating a transition taxonomy	Working group	This CSA working group is developing a national standard specific to Canada for "transition financing."	Advanced <ul style="list-style-type: none"> Active participation on behalf of Bâtirente as a member of the working group
PRI committee on shareholder engagement (Active Ownership 2.0)	Working group	Advisory committee on the PRI's direction regarding shareholder engagement and proxy voting	Advanced <ul style="list-style-type: none"> Active participation as a member of the working group
PRI Plastic Investor Working Group	Working group	This PRI working committee raises investors' awareness and understanding of the impacts, risks, and opportunities related to plastic.	Advanced <ul style="list-style-type: none"> Active participation as a member of the working group
Climate Action 100+	Collaborative engagement	Initiative bringing together 545 investors from across the planet (collectively managing \$54 trillion in assets) to join in on an engagement plan aimed at the world's 167 biggest corporate (public company) GHG emitters. Æquo coordinates engagements with three of the five companies in Canada, on behalf of a dozen institutional investors.	Advanced <ul style="list-style-type: none"> Active participation in the North American group Boards of three of the five Canadian companies targeted by the initiative (Enbridge, TC Energy and Imperial)
Collaboration on the responsibility for opioids and other medications (ICCR)	Collaborative engagement	Investors for Opioid and Pharmaceutical Accountability (IOPA) is a global coalition of institutional investors. IOPA was created with the goal of maintaining a dialogue with opioid manufacturers, distributors, and pharmacies about the risks of opioids and other pharmaceutical products.	Intermediate – Support role <ul style="list-style-type: none"> Participation in meetings Exchange of information related to companies in the action plan targeted by the initiative
Collaboration of the Access to Medicine Foundation	Engagement collaboratif	This index focuses on the world's biggest pharmaceutical companies, by identifying best practices, monitoring their progress, and showing where critical action is needed in order to improve access to medicine for the poorest communities.	Intermediate – Support role <ul style="list-style-type: none"> Participation in meetings Exchange of information related to companies in the action plan targeted by the initiative
Collaboration on the reduction in pesticide use and safer management of chemical products (ICCR)	Collaborative engagement	Investor collaboration on the risks related to the use of pesticides and other toxic chemical products in supply chains	Intermediate – Support role <ul style="list-style-type: none"> Participation in meetings Exchange of information related to companies in the action plan targeted by the initiative

ISSUES TO HIGHLIGHT

PANDEMIC SOCIAL IMPACT



The impacts of the COVID-19 pandemic that has struck the entire world have forced investors to take a closer look at the social dimension of responsible investment.

We are all navigating the same storm, although not on the same boat. As highlighted in the *Institute for Human Rights & Business* (IHRB) report “*Respecting Human Rights in the time of the COVID-19 Pandemic*,” while the virus has hit all kinds of people indiscriminately, the impacts of COVID have been proportionally greater for more fragile countries and among certain discriminated populations, including visible minorities, migrant workers and women.

These effects are sure to have long-term consequences. Companies need to step up and take measures to ensure the rights of their own employees, as well as those of suppliers and their workforce, are protected. This will consolidate their reputation and reduce the probability of future litigation.

In its report “*COVID-19 and human rights*”, the *Corporate Human Rights Benchmark* (CHRB) spotlights the weak response by companies in limiting the negative impacts of COVID on company stakeholders, particularly in their supply chains. It also shows that companies that have established strong due diligence processes in terms of human rights are better equipped to respond to the crisis.

Since March, we have integrated this topic into our dialogues in order to evaluate the impact of the pandemic on companies and have asked them details on their crisis management and protection measures. We have discussed this topic along the following lines:

- Responsibilities at the leadership level and crisis management measures, as well as eventual salary adjustments for senior executives;
- Measures implemented to protect and support employees (especially with regard to health and safety protocols, protective equipment, training, and financial and personal support);
- Measures implemented to protect and support suppliers and their employees (especially with regard to maintaining contracts/relations, financial support and employee protection).

We also took part in various collaborations with the ICCR on this topic in the area of meat producers, and the *Investor Alliance for Human Rights and KnowTheChain*, aimed at companies in the apparel business.

PANDEMIC AND PHARMACEUTICAL COMPANIES

The effects of the pandemic remind us that one cannot design a prosperous and sustainable economy without taking into consideration access to medicine and healthcare for all populations. While all activity sectors were affected, the pandemic continues to have a significant impact worldwide on social and economic well-being. Pharmaceutical companies play a leading role in the universal, equitable and speedy production of vaccines and treatment on a global scale. COVID-19 will not be brought under control until all countries are able to control outbreaks. We continued, and will continue, discussing this topic with the pharmaceutical companies in our action plan, in collaboration with the *Interfaith Center on Corporate Responsibility* (ICCR) and the *Access to Medicine Foundation*. One of the main conclusions of the *2021 Access to Medicine Index* is the lack of preparedness in the pharmaceutical sector heading into a potentially new pandemic. This type of crisis also reveals companies’ real strengths and priorities, beyond the rhetoric, and reveal their approach and practices to promote long-term value creation.



CLIMATE RISKS



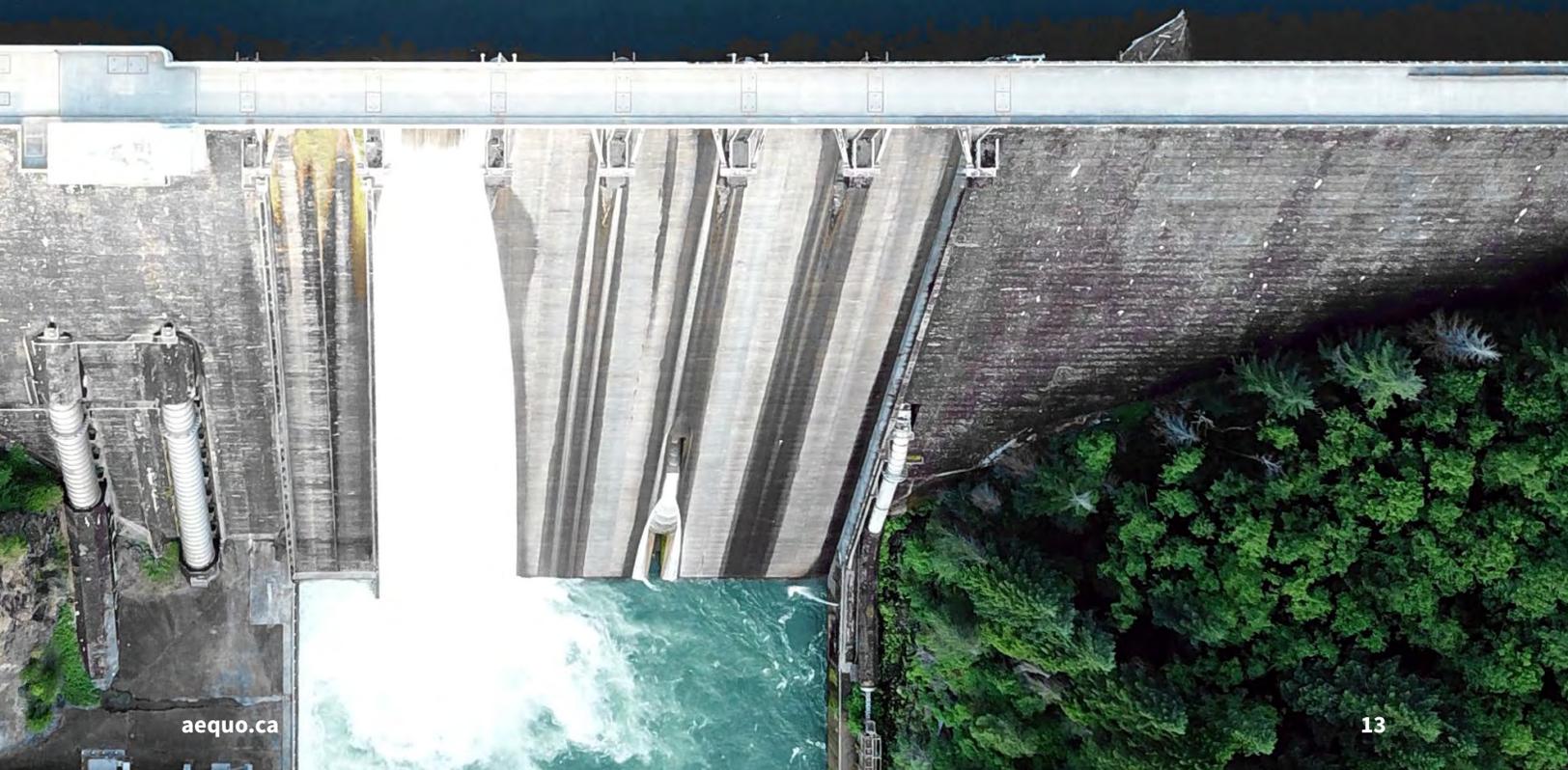
Climate risk management continues to play an important role in the dialogues we conduct. There is no denying that the energy transition is already underway. To anyone still in doubt, TC Energy's abandonment of the Keystone XL project strongly signals the end of major development projects related to new fossil fuel development. Renewable energy costs continue to fall sharply, and related storage technologies are continually being developed. As for natural gas, which is more polluting than renewable energy, it is hard to consider this as a future energy source.

Companies, including those from the energy sector as well as banks, are increasingly committed to achieving carbon neutrality by 2050, in line with Paris Agreement commitments. A growing number of banks have joined the *Partnership for Carbon Accounting Financials* (PCAF) which aims to quantify the carbon footprint of their investment loans for the express purpose of reducing it. The Science Based Targets initiative (SBTi) has developed a new methodology for companies extracting fossil fuels, to set scientific targets aligned with the Paris Agreement. Aequo took part in the public consultation on this methodology.

In terms of disclosure, the latest 2020 TCFD Report underscores the general improvement in disclosure aligned with its recommendations. It also lays bare the lack of disclosure regarding the potential financial impact of climate change on companies' activities and strategies.

The Canadian government presented its "strengthened climate plan," containing new GHG reduction targets (32% to 40% less by 2030, compared to 2005) and a new carbon price that will reach \$170 per tonne by 2030. It also published its clean fuel regulations (coming into effect in 2022) aimed at reducing the carbon intensity contained in fuels, and addressing producers and distributors. As for the new Biden administration, which marks a return by the United States to the Paris Agreement, it committed to setting a moratorium on new drilling, imposing carbon neutrality on its energy producers by 2035, strengthening emissions-related regulations (including those associated with methane) and investing heavily to promote the energy transition.

On the investors' side, the CA 100+ published its first progress report on companies' performance in terms of the initiative's objectives. In the spring of 2020, we published a report on the urgency of the situation and usefulness of an impact-oriented open and systematic engagement approach. As this is an intersectoral issue, we will continue our expansion in 2021 of the sectors where we have been conducting dialogues on this topic. Our goal, in line with TCFD recommendations, is to get companies to generally demonstrate that they are adapting their climate risk business strategies and practices.



A CANADIAN TAXONOMY RELATED TO ENERGY TRANSITION

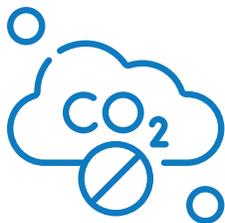
A major effort has been underway for the past few years, by sustainable finance practitioners, to clarify the kind of economic activities that should be considered as being aligned with energy (and, to a larger extent, ecological) transition. This type of green economy “taxonomy” would help demonstrate to investors that the targeted financial products align with the goals of the Paris Agreement. In Europe, such a discussion was launched a few years ago and a consensus seems to have been reached despite opposition from a few countries, which were pushing for the inclusion of natural gas. In Canada, the Expert Panel on Sustainable Finance urged the country to make a firm commitment to the concept of a transition taxonomy, which would facilitate carbon reduction funding in the natural resources sector, particularly oil and gas, while building better credibility about the environmental aspects of Canadian investments.

These definitions will be important because many investors and banks have made the commitment to reduce their carbon footprint. As such they are also striving to show their contribution to combating the climate crisis.

For more than one year already, the Canadian Standards Association (CSA) has been leading consultations, in which Aequo has actively participated, to develop a Canadian transition taxonomy. At the time of writing, we have reason to believe that certain aspects which we find to be problematic will still be included in this taxonomy. Nonetheless, this could be one of the tools that will facilitate the allocation of assets to the energy transition.



EXAMPLES OF CLIMATE GOALS ACHIEVED



CARBON NEUTRALITY GOAL:

Enbridge, Teck Resources, BMO and RBC adopted a carbon neutrality target by 2050—a key commitment in aligning their strategies with Paris Agreement commitments.



DISCLOSURE OF FINANCED

EMISSIONS: BMO, RBC, Scotiabank and CIBC committed to measuring and disclosing the greenhouse gas emissions attributable to their loans and investments, by joining the PCAF.



DISCLOSURE OF INDIRECT

EMISSIONS: Enbridge will disclose its indirect emissions—a strong signal by energy infrastructure companies to consider their responsibility for the environmental impacts of the fossil-based products they distribute.

DIVERSITY AND INCLUSION



The numerous issues connected with diversity and inclusion continued playing an important role in about one third of our dialogues. The [2020 RIA Investor Opinion Survey](#) showcases the importance of diversity and inclusion for specific investors, with nearly three-quarters of respondents saying they would like their fund managers to take this aspect into consideration. In 2020, we started discussing this issue beyond the retail sector, and we plan on expanding the number of companies with whom we discuss this topic.

Aside from the pandemic impact, 2020 saw the development of social movements (e.g., #MeToo and “Black Lives Matter”) denouncing racial or gender inequalities that exist in our societies.

If the [2020 McKinsey Report](#) once more spotlights the fact that diversified companies are more likely to perform better financially than their peers, it also underlines that promoting diversity does not automatically guarantee a culture of inclusion. In fact, according to a [Boston Consulting Group \(BCG\) report](#), after surveying 5,000 employees in Canada, it was found that 50% of employees of a diverse group consider themselves as having encountered prejudices in their daily work.

In terms of gender diversity, according to [the latest Osler report](#), we are noticing a gradual progression in the number of women on Canadian company boards, but not in senior management. Moreover, [the new Canadian regulation](#) helps to expose the very weak representation of visible minorities, Indigenous peoples, or those in a handicap situation on boards of directors and senior leadership.

In Canada, we should point out the engagement by Canadian companies’ CEOs, who engaged, through the [BlackNorth Pledge](#), to implement concrete measures in their companies in 2020 to combat systemic racism (8 CEOs out of 36 Canadian companies in our action plan). Along with 70 other investors and organizations, we signed, in 2020, the [Canadian Investor Statement on Diversity & Inclusion](#), which seeks to promote diversity within companies and our own organizations.

While 50% of the boards and 60% of senior management of the companies in our 2020 action plan have not yet reached the 30% female representation threshold (goal taken from the [30% Club Canada](#)), what we are asking goes beyond gender and numbers: namely, adopting policies and targets, surveying and training their employees, providing leadership with financial incentives, and proper disclosure in this area.

EXAMPLES OF DIVERSITY GOALS ACHIEVED



ACHIEVING 30% FEMALE REPRESENTATION ON BOARDS:

CVS, Universal Health Services and Verizon reached the 30% female representation threshold for their board of directors—a major step toward gender parity within this central body of companies.



DISCLOSURE ON GENDER-RELATED DATA:

Biogen, Dollar Tree and Open Text now disclose employee distribution by gender—key information to sustain the dialogue and help practices move forward.



HUMAN RIGHTS



The issues connected with respect for human rights hold a central place in our dialogues. We discussed these themes with 20% of the companies in our action plan, mainly retailers.

As previously underscored in this report, the COVID-19 pandemic impacts have been particularly important in these areas. Companies' inappropriate practices translate into major reputational risks for them, their operations or even the lack of preparation for changing standards or regulations.

Long, complex and opaque supply chains represent an additional challenge for these companies, but also a great lever for radically changing practices. The "2020 Food & Beverage Benchmark Findings report" from *KnowTheChain* highlights the fact that, while some companies have been making progress, the majority of the 43 largest global food and beverage companies have not managed to combat forced labour in their supply chains. The most recent CHRB report brought to light similar findings. Despite the progress made, too many companies are unable to meet investor expectations regarding due diligence when it comes to human rights.

Legislation continues to be developed to make companies accountable for their supply chain. While Canada is still [legislating](#) to oblige companies to account for the measures they have put in place to prevent forced labour and child labour, [Europe is considering going further](#), by imposing a due diligence process and minimum obligations that must be met.

The PRI plans to integrate the obligation for its signatories to [take human rights into consideration](#) in their annual reporting. In that connection, we have participated in their consultation on a framework for implementing the respect of human rights in investment activities. Worth mentioning here is the "Investor Toolkit on Human Rights," an exhaustive guide on the topic, developed by the *Investor Alliance for Human Rights*.

In alignment with their recommendations, we are asking the companies with whom we conduct dialogues to implement a robust due diligence process for identifying human rights-related risks and take measures to limit these.

VIOLETIONS OF UYGHUR POPULATIONS' HUMAN RIGHTS

The Chinese region of Xinjiang has been mired in a serious crisis related to human rights violations. It is estimated that, since 2017, around 1.8 million people, mainly Uyghurs, have been placed by the Chinese government in internment camps, prisons and factories. Forced labour is widespread, populations are under surveillance without their consent, and forced sterilization is said to be taking place.

Given these facts, the region is considered a risk area for companies and their investors. Yet, it continues to be integrally linked to global supply chains, particularly in the cotton chain. Consequently, many international companies have operations, investments and partnerships in that region. These companies run the risk of causing or contributing to the negative impact on human rights.

The [guide](#), developed by the Investor Alliance for Human Rights, lays out the various actions that could lead investors to act on this issue and limit the risks inherent in their investments. Aequo conducts dialogues with companies so that they take the steps needed to ensure their supply chains are not tied to abuse of victims from these populations.



SUSTAINABLE DEVELOPMENT GOALS



Since 2018, we have aligned each of our objectives with the United Nations Sustainable Development Goals. The latter target the world's greatest challenges related to poverty, inequality, climate, environmental degradation, and prosperity, as well as peace and justice. The private sector plays a pivotal role in the achievement of these objectives, and as a representative of our investment clients, we encourage companies, through our dialogues, to improve their impact in all 17 Sustainable Development Goals.

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