

# NEI Investments

## Corporate Social Responsibility Report 2010

### Global Reporting Initiative Indicators



#### Global Reporting Initiative Content Index

The Content Index sets out the Global Reporting Initiative (GRI) Financial Services Sector Supplement disclosure requirements, an assessment of the completeness of NEI Investments' response to each requirement, and where the response can be found.

- Our response fulfils the GRI requirement.
- ◐ Our response partially fulfils the GRI requirement.
- No response this year.
- ⊗ Not material for NEI Investments.
- \* Additional disclosure not required for GRI Level C.

#### Strategy and Analysis

|            |  |   |                           |
|------------|--|---|---------------------------|
| <b>1.1</b> | Statement from the most senior decision-maker of the organization. | ● | CSR Report – page 3.      |
| <b>1.2</b> | Description of key impacts, risks and opportunities.               | ○ | Not required for Level C. |

#### Organizational Profile

|            |  |   |  |
|------------|--|---|--|
| <b>2.1</b> | Name of the Organization.  | ● | Northwest & Ethical Investments L.P. (NEI Investments is a trade name of Northwest & Ethical Investments L.P.)   |
| <b>2.2</b> | Primary brands, products and/or services.  | ● | NEI Investments offers a wide range of conventional and corporate class funds from Northwest Funds and the largest responsible investing funds family in Canada from Ethical Funds. Our ESG team also provides environmental, social and governance (ESG) company evaluations and corporate engagement services to institutional clients.<br><br>We outsource significant portions of our operations to third-party service providers: back office, fund accounting and valuation, and portfolio management. |
| <b>2.3</b> | Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.   | ● | Our main operational areas are ESG services, sales and marketing, and customer service. Our organizational support functions are finance, legal and compliance, and portfolio manager oversight.   |
| <b>2.4</b> | Location of organization's headquarters.   | ● | 155 University Avenue 4th Floor, Toronto, ON M5H 3B7, Canada   |
| <b>2.5</b> | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | ● | The company operates solely within Canada.   |

## Organizational Profile – Continued

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| 2.6  | Nature of ownership and legal form.   | ● | <p>Northwest &amp; Ethical Investments L.P. (NEILP) is a limited partnership; as such, all decisions are made and implemented on its behalf by its general partner, Northwest &amp; Ethical Investments Inc. (NEII), which has the same ownership structure as NEILP.</p> <p><b>Our ownership structure is as follows:</b></p> <ul style="list-style-type: none"> <li>• Fédération des caisses Desjardins du Québec: 50%</li> <li>• Central I Credit Union: 26%</li> <li>• Credit Union Central Alberta Limited: 6.53%</li> <li>• Credit Union Central of Saskatchewan: 8.19%</li> <li>• Credit Union Central of Manitoba: 4.96%</li> <li>• Atlantic Central Credit Union: 4.32%</li> </ul> |
| 2.7  | Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries). | ● | <p>Our mutual fund products are only available within Canada, and are distributed across the country. ESG Services is promoted to institutional investors both inside and outside Canada.</p>   |
| 2.8  | Scale of the reporting organization.  | ● | <p>In 2010 NEI Investments had 90 employees, with offices in Toronto, Vancouver and Montreal. NEI Investments' total assets under management at December 31, 2010 were \$4.87 billion. Our 2010 net sales were - \$74.8 million.</p> <p>Statistics for NEI Investments and other investment institutions can be accessed at: <a href="http://statistics.ific.ca/English/Reports/MonthlyStatistics.asp">http://statistics.ific.ca/English/Reports/MonthlyStatistics.asp</a></p>  |
| 2.9  | Significant changes during the reporting period regarding size, structure or ownership.               | ● | <p>No significant changes occurred during the reporting period.</p>   |
| 2.10 | Awards received in the reporting period.  | ● | <ul style="list-style-type: none"> <li>• Our investor statements were ranked second (out of 22 fund companies) by Dalbar.</li> <li>• The Northwest Specialty High Yield Bond Fund received a Lipper Award in the High Yield Fixed Income Category for best fund over 10 years.</li> <li>• The Ethical International Equity Fund, the Ethical American Multi-Strategy Fund, and the Ethical Global Dividend Fund were ranked as the top three equity funds in Corporate Knights' annual responsible investment guide.</li> </ul>   |

## Report Parameters

|              |  |   |  |
|--------------|--|---|--|
| <b>3.1</b>   | Reporting period for information provided.   | ● | January – December 2010, except for ESG Program data (September 2009 - August 2010).   |
| <b>3.2</b>   | Date of most recent previous report.   | ● | November 2010.   |
| <b>3.3</b>   | Reporting cycle.   | ● | Annual.  |
| <b>3.4</b>   | Contact point for questions regarding the report or its contents.  | ● | <a href="mailto:csr@NEInvestments.com">csr@NEInvestments.com</a>   |
| <b>3.5</b>   | Process for defining report content.   | ● | See “Our CSR Report Process” – page 16.  |
| <b>3.6</b>   | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).   | ● | See “Our CSR Report Process” – page 16.  |
| <b>3.7</b>   | State any specific limitations on the scope or boundary of the report.   | ● | See “Our CSR Report Process” – page 16.  |
| <b>3.8</b>   | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations. | ● | See “Our CSR Report Process” – page 16.  |
| <b>*3.9</b>  | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.         | ● | See “Our CSR Report Process” – page 16.  |
| <b>3.10</b>  | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.  | ● | No information has been restated.  |
| <b>3.11</b>  | Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.   | ● | For the first time we have included energy use data for the Montreal office.   |
| <b>3.12</b>  | Table identifying the location of the Standard Disclosures in the report.  | ● | This table has been prepared to comply with the requirement.   |
| <b>*3.13</b> | Policy and current practice with regard to seeking external assurance for the report.  | ● | We have not sought external assurance for this report. As our CSR reporting program develops, we will explore the feasibility of seeking external assurance. |

## Governance, Commitments and Engagement






|      |  |   |  |
|------|--|---|--|
| 4.1  | Governance structure of the organization including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.  | ● | The Board of Directors of NEII is composed of ten members. The Board is legally responsible for determining organizational strategy and for monitoring performance. It has three committees — Human Resources & Governance, Audit, and Investment — which review these aspects of operations and report to the Board.  |
| 4.2  | Indicate whether the Chair of the highest governance body is also an executive officer.  | ● | The Chair of the Board is not an executive officer.  |
| 4.3  | For organizations that have a unitary board structure, state the number of members of the highest governance body who are independent and/or non-executive members.  | ● | All Board members are non-executive/non-employee. Most are employees or directors of our owners.   |
| 4.4  | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.  | ● | As a non-public entity, NEI Investments is governed by a unanimous shareholders agreement which guarantees minimum board representation to each of the owners. We do not have a formal representation mechanism for employees at present.  |
| *4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).  | ● | The Company Incentive Plan is based on key financial and operating results, and individual achievement in meeting personal performance objectives. The performance objectives of employees working on the ESG Program relate directly to our environmental and social performance as investors.  |
| *4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided.  | ● | The Board has adopted policies and procedures which expand on the legally-imposed requirements regarding conflicts of interest among directors. At each meeting or committee meeting of the Board, each director confirms that he or she has no conflicts. Processes and procedures are in place for resolving situations where conflicts of interest may exist.   |
| *4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.  | ● | Each member of the Board completes an annual questionnaire on his or her qualifications and expertise.   |
| 4.8  | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.   | ● | See "Our Internal Policies" – page 18.   |
| 4.9  | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | ● | The Board meets on a quarterly basis. Information on financial, environmental, and social risks and opportunities, management and performance is presented to the Board for discussion and any necessary decisions. This information includes regular updates on the progress of the ESG Program. The Board may also request information on sustainability issues. |

## Governance, Commitments and Engagement – Continued

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|--------------|---|---|---|
| <b>4.10</b>  | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.   | ● | The Board undertakes an annual self-assessment process.   |
| <b>4.11</b>  | Explanation of whether and how the precautionary approach or principle is addressed by the organization.  | ○ | Not required for Level C.                                 |
| <b>4.12</b>  | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.   | ● | See “The Principles That Guide Us” – page 19.             |
| <b>4.13</b>  | Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> <li>• Has positions in governance bodies;</li> <li>• Participates in projects or committees;</li> <li>• Provides substantive funding beyond outline membership dues; or</li> <li>• Views membership as strategic.</li> </ul> | ● | See “Working Together To Advance Our Industry” – page 20. |
| <b>4.14</b>  | List of stakeholder groups engaged by the organization.   | ● | See “Stakeholder Engagement” – page 20.                   |
| <b>4.15</b>  | Basis for identification and selection of stakeholders with whom to engage.   | ● | See “Stakeholder Engagement” – page 20.                   |
| <b>*4.16</b> | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.   | ● | See “Stakeholder Engagement” – page 20.                   |
| <b>*4.17</b> | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.   | ● | See “Stakeholder Engagement” – page 20.                   |

## Product and Service Impact

|            |   |   |  |
|------------|---|---|--|
| <b>FS1</b> | Policies with specific environmental and social components applied to business lines.   | ● | <p>NEI Investments' commitment to responsible investing is long-established and well-documented. Our ESG Investing Program is based on the thesis that companies integrating best environmental, social and governance practices into their strategy and operations will provide higher risk-adjusted returns over the long term.</p> <p>Our industry-leading program integrates the following elements:</p> <ul style="list-style-type: none"> <li>• Evaluation of sectors and companies for material environmental, social and governance risks.</li> <li>• Corporate engagement on environmental, social and governance issues with companies in our funds.</li> <li>• Proxy voting based on environmental, social and governance guidelines.</li> <li>• Public policy and standards work to mitigate systemic environmental, social and governance risks.</li> <li>• Research on emerging environmental, social and governance topics.</li> </ul> <p>All elements of the program are applied to our Ethical Funds family. Some elements of the program are also applied to the Northwest Funds family, or are provided as services to other investment institutions.</p> |
| <b>FS2</b> | Procedures for assessing and screening environmental and social risks in business lines.  | ● | <p>2010 ESG Investing Program Annual Report, pages 6 – 8, “Principle #1”: <a href="http://www.NEIinvestments.com">www.NEIinvestments.com</a> &gt; ESG Services &gt; Accountability</p>   |
| <b>FS3</b> | Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions. | ⊗ | <p>Not material for NEI Investments, as we do not have agreements of this type.</p>  |
| <b>FS4</b> | Process for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.                | ● | <p>Implementation of our ESG Program is based on documented policies and procedures that we work continuously to improve. Our ESG Services employees attend a wide variety of courses, seminars and conferences to enhance their understanding of environmental, social and governance (ESG) risk. As thought leaders on responsible investing, our staff members are also called upon frequently to share their expertise within the industry through presentations, webinars and media interviews.</p>   |
| <b>FS5</b> | Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.                                     | ● | <p>2010 ESG Investing Program Annual Report, pages 8 - 11, “Principle #2 – Engagement Highlights”: <a href="http://www.NEIinvestments.com">www.NEIinvestments.com</a> &gt; ESG Services &gt; Accountability</p>  |
| <b>FS6</b> | Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.   | ⊗ | <p>Not material for NEI Investments, given the nature of our products.</p>   |
| <b>FS7</b> | Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.                  | ● | <p>We do not manufacture products of this type.</p>  |

|             |  |   |   |
|-------------|--|---|---|
| <b>FS8</b>  | Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.                    |    | We do not manufacture products of this type.  |
| <b>FS9</b>  | Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.                                 |    | Not reported for 2010.  |
| <b>FS10</b> | Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues. |    | <p>Each year, the Ethical Funds holdings are reviewed and some 20% of assets are targeted for intensive corporate engagement on potential environmental, social and governance (ESG) risks. Where the assets of Ethical Funds overlap with those of Northwest Funds, engagement activity utilizes all our assets to increase leverage.</p> <p>In 2010, 61 companies were approached for corporate engagement on ESG risks.</p> <p><i>2010 ESG Investing Program Annual Report</i>, pages 8 - 11, "Principle #2 – Engagement Highlights": <a href="http://www.NEIinvestments.com">www.NEIinvestments.com</a> &gt; <a href="#">ESG Services &gt; Accountability</a></p>   |
| <b>FS11</b> | Percentage of assets subject to positive and negative environmental or social screening.   |    | 100% of Ethical Funds assets (which represented 47% of assets under management at December 31, 2010) are subject to our ESG evaluations process, which incorporates both positive and negative screening.   |
| <b>FS12</b> | Voting policy applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.  |  | <p>Our ESG Services team executes proxy votes consistently for all NEI Investments manufactured products including Northwest Funds, Ethical Funds and Credential EnRich products, according to one comprehensive set of Proxy Voting Guidelines that integrate environmental, social and governance (ESG) considerations. In 2010, the ESG Services team voted close to 7,000 proxies at more than 600 company meetings. Our Proxy Voting Activity Report details how proxies were voted for each company in the funds — and why.</p> <p>Our Proxy Voting Guidelines and our Proxy Voting Activity Report are disclosed on our website at: <a href="http://www.NEIinvestments.com">www.NEIinvestments.com</a> &gt; <a href="#">ESG Services &gt; Engaging Companies &gt; Proxy Voting</a></p> |












## Economic







|            |  |   |  |
|------------|--|---|--|
| <b>EC1</b> | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments. | ● | <p>We report on our Partnership Distribution and on our corporate donations and sponsorships, because our Limited Partnership agreement restricts disclosure on some of the topics covered under this indicator.</p> <p>NEI Investments is owned 50% by the Credit Union Centrals and 50% by Desjardins Group. We provide a profit-sharing income distribution — the Partnership Distribution — to our credit union partners, based on each credit union's proportionate share of eligible NEI Investments assets under management. In March 2010, based on 2009 assets, over \$4.1 million was distributed to the credit unions and Desjardins Group. We are proud to be the only investment manufacturer in Canada owned by the co-operative system, sharing profits with our key stakeholders and helping them achieve business success.</p> <p>NEI Investments made philanthropic donations of \$38,887 in 2010. We matched our employees' generous donations after Haiti's devastating earthquake and Pakistan's disastrous floods, as well as supporting the employee team that participated in the Movember prostate cancer initiative. To mark the holiday season, we made a corporate gift of \$12,000 to Food Banks Canada.</p> <p>In 2010 NEI Investments also provided \$242,000 in sponsorship to Alpine Canada as part of a multi-year commitment, as well as \$150,030 in sales-related sponsorships.</p> |
| <b>EC2</b> | Financial implications and other risks and opportunities for the organization's activities due to climate change.  | ○ | Not reported for 2010.   |
| <b>EC3</b> | Coverage of the organization's defined benefit plan obligations.   | ● | We do not have a defined benefit plan.   |
| <b>EC4</b> | Significant financial assistance received from government.   | ● | We do not receive financial assistance from government.  |
| <b>EC5</b> | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.   | ⊗ | Not material for NEI Investments, as we operate solely in Canada and our employees earn multiples of local minimum wages.  |
| <b>EC6</b> | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.  | ○ | Not reported for 2010.   |
| <b>EC7</b> | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.  | ⊗ | Not material for NEI Investments, as we operate solely within Canada.  |
| <b>EC8</b> | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.  | ⊗ | Not material for NEI Investments, given the nature of our operations.  |
| <b>EC9</b> | Understanding and describing significant indirect economic impacts, including the extent of impacts.   | ⊗ | Not material for NEI Investments, given the nature of our operations.  |

## Environmental















|             |  |   |   |
|-------------|--|---|---|
| <b>EN1</b>  | Materials used by weight or volume.  | ● | As an office-based organization, our most significant material use is paper. In 2010, through our printers/photocopiers, we estimate that our three offices used 1.248 tonnes of paper (based on 458,716 sides printed/copied).   |
| <b>EN2</b>  | Percentage of materials used that are recycled input materials.  | ● | For our printed materials, our Paper & Printing Selection Policy requires that we ask for recycled paper made from 100% post-consumer waste, and sets 30% as the minimum recycled content. We give preference to Forest Stewardship Council certified paper and seek out suppliers who use vegetable-based inks and sustainable energy sources to power their operations. |
| <b>EN3</b>  | Direct energy consumption by primary energy source.  | ⊗ | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN4</b>  | Indirect energy consumption by primary energy source.  | ● | We do not have separate energy metering, but we were able to establish estimates for all our offices. We estimate NEI Investment's total annual energy use at 477,521 MWh. <ul style="list-style-type: none"> <li>• Montreal: 62.354 MWh</li> <li>• Toronto: 114.867 MWh</li> <li>• Vancouver: 300.3 MWh</li> </ul>   |
| <b>EN5</b>  | Energy saved due to conservation and efficiency improvements.  | ● | We are unable to calculate the energy saved through conservation and efficiency improvements as we do not have separate energy metering, and it is not economically viable to install it.   |
| <b>EN6</b>  | Initiatives to provide energy efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives. | ⊗ | Not material for NEI Investments, given the nature of our products.   |
| <b>EN7</b>  | Initiatives to reduce indirect energy consumption and reductions achieved.   | ● | Our employee commuting and business travel are relevant for this indicator. Through our staff CSR Survey we discovered that commuting to work is not a significant indirect environmental impact (87% of respondents used greener commuting methods). We have begun measuring the impacts of our business travel, but have not yet implemented reduction strategies.      |
| <b>EN8</b>  | Total water withdrawals by source.   | ⊗ | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN9</b>  | Water sources significantly affected by withdrawal of water.   | ⊗ | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN10</b> | Percentage and total volume of water recycled and reused.  | ⊗ | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN11</b> | Location and size of land owned, leased managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas.                  | ⊗ | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN12</b> | Description of significant impacts of activities, products, services on biodiversity in protected areas and areas of high biodiversity outside protected areas.  | ⊗ | Not material for NEI Investments, given the nature of our products and operations.  |
| <b>EN13</b> | Habitats protected or restored.  | ⊗ | Not material for NEI Investments, given the nature of our operations.   |

## Environmental – Continued







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|-------------|--|---|---|
| <b>EN14</b> | Strategies, current actions and future plans for managing impacts on biodiversity.   |    | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN15</b> | Number of IUCN Red List Species and national conservation list species with habitats in areas affected by operation, by level of extinction risk.  |    | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN16</b> | Total direct and indirect greenhouse gas emissions by weight.  |    | <p>Calculation is based on energy use estimates (see EN4). We estimate NEI Investments' annual energy consumption at 477,521 MWh, which translates to approximately 45,485 tonnes of carbon dioxide equivalent.</p> <ul style="list-style-type: none"> <li>• Montreal: 0.2992 t/CO<sub>2</sub>e</li> <li>• Toronto: 20,561 t/CO<sub>2</sub>e</li> <li>• Vancouver: 24,624 t/CO<sub>2</sub>e</li> </ul>  |
| <b>EN17</b> | Other relevant indirect GHG emissions by weight.   |    | <p>We have established that our most significant environmental impact at the operational level is created by travel. In 2010, our employees reported driving 14,405 km in private cars on company business, producing estimated greenhouse gas (GHG) emissions of 3.5 tonnes. In April 2010 we established a system to track air travel. In the nine months from April to December, our employees flew 798,521 km on company business, producing estimated greenhouse gas emissions of 96.2 tonnes of carbon dioxide equivalent (prorated to 120.25 tonnes for the year). We estimate our total annual indirect GHG emissions by weight from business travel at 123.75 tonnes of carbon dioxide equivalent.</p> |
| <b>EN18</b> | Initiatives to reduce greenhouse gas emissions and reductions achieved.  |  | <p>In 2010, we estimated our premises-related emissions and bought green electricity certificates from Bullfrog Power for our Toronto and Vancouver offices (not available in Montreal). We researched travel offset providers in 2010 and will begin offsetting in 2011.</p>   |
| <b>EN19</b> | Emissions of ozone-depleting substances by weight.   |  | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN20</b> | NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions by weight.   |  | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN21</b> | Total water discharge by quality and destination.  |  | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN22</b> | Total weight of waste by type and disposal method.   |  | <p>Our ability to measure waste is constrained in our leased offices. In 2010, we donated 40 units of retired IT equipment to reBOOT Canada for re-use, but we do not have weight figures.</p>  |
| <b>EN23</b> | Total number and volume of significant spills.   |  | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN24</b> | Weight of transported, imported, exported or treated waste deemed hazardous under the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally. |  | Not material for NEI Investments, given the nature of our operations.   |

|             |  |   |   |
|-------------|--|---|---|
| <b>EN25</b> | Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and run-off. |  | Not material for NEI Investments, given the nature of our operations.   |
| <b>EN26</b> | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.   |  | Not material for NEI Investments, given the nature of our products.   |
| <b>EN27</b> | Percentage of products sold and their packaging materials that are reclaimed by category.  |  | Not material for NEI Investments, given the nature of our products.   |
| <b>EN28</b> | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.   |  | None – but not material for NEI Investments, given the nature of our operations.  |
| <b>EN29</b> | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.          |  | Not material for NEI Investments, given the nature of our products and operations.  |
| <b>EN30</b> | Total environmental protection expenditures and investments by type.   |  | We spent \$8,793 on emissions treatment and remediation costs through the purchase of green electricity certificates for the Toronto and Vancouver offices. In addition, we spent \$30,826 on prevention and environmental management costs represented by staff time for management of the CSR program, and education and engagement activities for our staff relating to sustainability issues. |











## Labour Practices & Decent Work

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|--------------|--|---|--|
| <b>LA1</b>   | Total workforce by employment type, employment contract, and region.   |    | See "Our Employees" – page 23.   |
| <b>LA2</b>   | Total number and rate of employee turnover by age group, gender, and region.   |    | See "Our Employees" – page 23. We do not have data on the age group of employees who left the company.   |
| <b>LA3</b>   | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.   |    | See "Our Employees" – page 23.   |
| <b>LA4</b>   | Percentage of employees covered by collective bargaining agreements.   |    | Not material for NEI Investments, given the characteristics of our workforce.  |
| <b>LA5</b>   | Minimum notice period regarding operational changes, including whether it is specified in collective agreements.   |    | No formal notice period for operational changes has been established.  |
| <b>LA6</b>   | Percentage of total workforce represented in formal joint management -worker health and safety committees that help monitor and advise on occupational health and safety programs. |    | We do not have such a committee.   |
| <b>LA7</b>   | Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region.  |    | Not reported for 2010.   |
| <b>LA8</b>   | Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.       |  | See "Our Employees" – page 23.   |
| <b>LA9</b>   | Health and safety topics covered in formal agreements with trade unions.   |  | Not material for NEI Investments, given the characteristics of our workforce.  |
| <b>LA10</b>  | Average hours of training per year per employee by employee category.  |  | At this time, we do not have a monitoring system in place to track training hours by all employment categories. In 2010, we invested a total of \$114,700 in training. This included 16 hours of training for over 25 Sales staff and 16 hours of negotiation training for ten ESG Services staff. |
| <b>LA 11</b> | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.                             |  | Employees can access funding for external courses. For employees who are leaving the company, we offer access to career transition services, as well as severance pay that exceeds provincial requirements and takes into account age and years of service.  |
| <b>LA12</b>  | Percentage of employees receiving regular performance and career development reviews.  |  | All employees receive annual performance and career development reviews.   |
| <b>LA13</b>  | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.             |  | Not reported for 2010.   |
| <b>LA14</b>  | Ratio of basic salary of men to women by employee category.  |  | Not reported for 2010.   |

## Human Rights


|            |  |   |  |
|------------|--|---|--|
| <b>HR1</b> | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.                              |    | 100% of Ethical Funds portfolio companies operating in high risk countries or representing high environmental impact are subject to human rights evaluation. |
| <b>HR2</b> | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.   |    | Not reported for 2010.   |
| <b>HR3</b> | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. |    | Not reported for 2010.   |
| <b>HR4</b> | Total number of incidents of discrimination and actions taken.   |    | No allegations of discrimination were recorded during the reporting period.  |
| <b>HR5</b> | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.   |    | Not material for NEI Investments, given the location of our operations and the characteristics of our workforce.   |
| <b>HR6</b> | Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.                           |    | Not material for NEI Investments, given the nature and location of our operations.   |
| <b>HR7</b> | Operations identified as having a significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour.  |  | Not material for NEI Investments, given the nature and location of our operations.   |
| <b>HR8</b> | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.                      |  | Not material for NEI Investments, given the nature and location of our operations.   |
| <b>HR9</b> | Total number of violations of the rights of indigenous people and actions taken.   |  | Not material for NEI Investments, given the nature of our operations.  |

## Society

|             |  |   |   |
|-------------|--|---|---|
| <b>S01</b>  | Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities including entering, operating and exiting. |    | Not material for NEI Investments, given the nature of our operations.   |
| <b>FS13</b> | Access points in low-populated or economically disadvantaged areas by type.  |    | Not material for NEI Investments, given the nature of our operations.   |
| <b>FS14</b> | Initiatives to improve access to financial services for disadvantaged people.  |    | Our Client Services team can provide service in seven languages. Some of our most important distribution channels are credit unions and <i>Caisses populaires</i> . As community-oriented financial institutions, they have a special focus on providing services and products to customers who are not prioritized by other financial institutions.  |
| <b>S02</b>  | Percentage and total number of business units analyzed for risks relating to corruption.   |    | In 2010, all business units were analyzed for risks relating to corruption.   |
| <b>S03</b>  | Percentage of employees trained in organization's anti-corruption policies and procedures.   |    | All new employees are trained in our ethical business policies and procedures, including anti-corruption aspects, as part of their induction. In addition, the same training is available to all employees electronically.  |
| <b>S04</b>  | Actions taken in response to incidents of corruption.  |    | NEI Investments has never been the subject of an allegation of corruption.  |
| <b>S05</b>  | Public policy positions and participation in public policy development and lobbying.   |  | <p>We believe companies should be transparent about their lobbying positions and political activities. As part of our responsible investing commitment, we often raise our voice in policy consultations to advance sustainability standards. We disclose our positions and submissions to industry associations and standards agencies on our website.</p> <p>Our policy submissions are disclosed on our website at: <a href="http://www.NEIinvestments.com">www.NEIinvestments.com</a> &gt; <a href="#">ESG Services</a> &gt; <a href="#">Public Policy &amp; Standards</a>.</p> |
| <b>S06</b>  | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.   |  | NEI Investments did not make any political donations in 2010 — our Corporate Donations Policy excludes political organizations, events and causes.  |
| <b>S07</b>  | Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.  |  | None — but not material for NEI Investments, given the level of competition within the mutual fund marketplace.   |
| <b>S08</b>  | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.  |  | No fines or sanctions have ever been imposed on NEI Investments for non-compliance with laws and regulations.   |

## Product Responsibility

|             |   |   |  |
|-------------|---|---|--|
| <b>FS15</b> | Policies for the fair design and sale of financial products and services.   | ● | See "Mutual Fund Regulation In Canada" – page 24. All our mutual fund products are subject to the requirements laid down by the Canadian Securities Administrators.  |
| <b>PR1</b>  | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and service categories subject to such procedures. | ⊗ | Not material for NEI Investments, given the nature of our products.  |
| <b>PR2</b>  | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome.           | ⊗ | Not material for NEI Investments, given the nature of our products.  |
| <b>PR3</b>  | Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.  | ● | See "Mutual Fund Regulation In Canada" – page 24. All our mutual fund products are subject to the requirements laid down by the Canadian Securities Administrators.  |
| <b>PR4</b>  | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.  | ● | There were no incidents of non-compliance with regulations and codes on product and service information.   |
| <b>PR5</b>  | Practices relating to customer satisfaction including results of surveys measuring customer satisfaction.   | ● | We monitor our Client Services call statistics for abandon rates and wait times. In 2010, 94.31% of calls to our Client Services Centre were answered immediately, with only 5.68% of calls requiring a call back. In addition, we answer all emails from unit holders within two business days.   |
| <b>FS16</b> | Initiatives to enhance financial literacy by type of beneficiary.   | ● | We provide opportunities for financial advisors to earn responsible investment Continuing Education credits. We publish a monthly newsletter on our ESG Services activities and topical issues in responsible investment.<br><br>ESG@NEI newsletter is available on our website at: <a href="http://www.NEIinvestments.com">www.NEIinvestments.com</a> > ESG Services > How We Work > ESG Newsletter |
| <b>PR6</b>  | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.  | ● | We follow National Instruments 81-102 governing sales communications and 81-105 governing sales practices. We have an internal Compliance department that ensures we adhere to the National Instruments.   |
| <b>PR7</b>  | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.          | ● | There were no incidents of non-compliance with regulations and codes on marketing communications.  |
| <b>PR8</b>  | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.  | ● | No substantiated complaints have been made against NEI Investments regarding breaches of customer privacy and losses of customer data.   |

|   |  |
|---|--|
| <b>PR9</b> Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. |  No fines have ever been imposed on NEI Investments for noncompliance with laws or regulations concerning the provision and use of products and services. |
|---|--|

## Our CSR Report Process

The following considerations define our report content:

- Which issues are most significant to the sustainability of an investment management institution? We recognize that our direct operational impacts are limited, and that our most significant impacts relate to how we choose, monitor and interact with the companies in our portfolios.
- Which issues are most relevant to our CSR Policy commitments?
- What are our obligations as a signatory to the UN Principles for Responsible Investment?
- What are our most significant direct environmental and social impacts? As a financial services company with offices in Vancouver, Toronto and Montreal we recognize that our most significant direct impacts are business travel, paper use, and electricity use.
- Which issues are most important to stakeholders? For this report we surveyed staff to establish which CSR issues are most important to them, and the report draft was reviewed by our employee CSR Team.
- For which Global Reporting Initiative indicators do we have data for the reporting year? Every year, we aim to improve our reporting processes and performance. We focus on areas for which data were available, and discuss areas for which we are developing data collection.
- Which stakeholders are likely to use the report? We expect the report will be of interest to unit holders, advisors, clients, owners, employees and our industry peers.

This report covers all employees, offices and brands of NEI Investments. Where information applies to a specific business line, brand or office, this has been indicated. It does not cover the operations of our outsourced functions and suppliers.

To calculate mileage for employee travel, we use expense claims. Employees using their own vehicle for business travel report mileage on the expense claim form. From 2009 to 2010, reported car travel mileage decreased significantly from 102,838 km to 14,405 km. We attribute this decrease in part to Sales staff moving from a reimbursement system to an allowance system for car travel expenses. Given this change, we are assessing options for estimating car travel emissions for future reports. Data on air travel is collected from two sources. Employees expensing air tickets are required to enter mileage data on the expense claim form. We use the following source for mileage calculations: [www.airrouting.com/content/TimeDistanceForm.aspx](http://www.airrouting.com/content/TimeDistanceForm.aspx). Mileage reporting is also provided by flight pass issuers.

Our Communications Policy specifies duplex printing as standard, and we are charged per side through our printer/copier leases. We obtained the total number of sides printed/copied from billing. To convert this figure into a paper usage weight estimate, we converted printer/copier sides to paper sheets, and then paper sheets to kg. We assumed all printer/copier use was letter size, converted sides to paper sheets using a factor of 0.6 (since not every document has multiple pages or an even number of pages), and converted paper sheets to weight assuming 500 sheets = 2.27 kg.

To convert travel data into emissions estimates we have followed the Greenhouse Gas Protocol, using the US gasoline-fuelled vehicle emission factors for passenger vehicles built after 2005. Our estimates for emissions from energy use in our offices are based on emissions factors for grid electricity in Ontario and British Columbia provided by Bullfrog Power. The factors used were 0.179 t/MWh and 0.082 t/MWh respectively. Our estimate for emissions from energy use in our office in Montreal is based on an emission factor for CO2 from the Hydro-Quebec Global Reporting Initiative Electric Utilities Sector Supplement 2009 (<http://www.hydroquebec.com/sustainable-development/gri/entreprises.html>). The factor used was 0.0048 t/MWh. A limitation on our operational impact data collection is that utilities for our offices are charged on the basis of area occupied within a shared building, rather than actual usage. We have explored the possibility of installing separate metering but this is not economically feasible.

We are also unable to disaggregate employee data by age or minority group membership at present.

This report is self-declared Application Level C. We were not able to complete the GRI Check in time for publication, because new requirements and timelines were published by GRI at a late stage in our report preparation process.

| Report Application Level | C   | C+   | B                         | B+   | A                         | A+  |                           |
|--------------------------|---|--|---------------------------|--|---------------------------|---|---------------------------|
| Standard Disclosures     | <b>G3 Profile Disclosures</b> <small>OUTPUT</small>   | Report on:<br>1.1<br>2.1 - 2.10<br>3.1 - 3.8, 3.10 - 3.12<br>4.1 - 4.4, 4.14 - 4.15  |                           | Report on all criteria listed for Level C plus:<br>1.2<br>3.9, 3.13<br>4.5 - 4.13, 4.16 - 4.17   |                           | Same as requirement for Level B   |                           |
|                          | <b>G3 Management Approach Disclosures</b> <small>OUTPUT</small>                                       | Not Required   | Report Externally Assured | Management Approach Disclosures for each Indicator Category  | Report Externally Assured | Management Approach Disclosures for each Indicator Category   | Report Externally Assured |
|                          | <b>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</b> <small>OUTPUT</small> | Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental. |                           | Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility. |                           | Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission. |                           |

\*Sector supplement in final version

## Our Internal Policies

The following table lists the main policies that we follow, and how they are applied across the company.

| Title  | Purpose   | Application  |
|--|---|--|
| Corporate Social Responsibility Policy                     | Sets out the main objectives and principles behind our CSR work. Incorporates elements from ISO 14001, the UN Principles for Responsible Investment and AAI000 SES.   | Company-wide: all employees and our Montreal, Toronto and Vancouver offices.   |
| Code of Ethics for Business Conduct                        | Provides guidance as to prudent and appropriate business ethics and conduct.  | All employees, officers, and directors.  |
| Code of Ethics for Personal Trading                        | Establishes oversight procedures and pre-clearing of personal trading activity to prevent any employee trading that may be contrary to the interests of the funds, or in violation of securities regulations.                   | All employees, officers and directors who may be deemed “access employees” with access to non-public information with respect to fund portfolio holdings and trading strategies. |
| Privacy Policy   | Safeguards the personal information of account-holders in accordance with privacy legislation.  | All employees.   |
| Whistleblower Policy                                       | Provides a direct reporting mechanism to the Board of Directors of any serious malfeasance with respect to financial reporting, fraud, corruption, breach of the law, or breach of company policies.                            | All employees, officers and directors.   |
| Board Governance Manual                                    | Articulates the authority and responsibilities of the Board of Directors, structure and mandate of Board committees, and describes basic rules of procedure for Board activities.   | All directors.   |
| Conflict of Interest Manual                                | Addresses potential conflicts between the interests of the fund manager and the funds, and guides the fund manager and its Independent Review Committee in discharging regulatory obligations under National Instrument 81-107. | Company-wide.  |
| Policies and Procedures Manual                             | Deals with day-to-day policies and procedures, including Compliance, Finance, Operations and Portfolio Management.  | Company-wide.  |
| ESG Services Code of Conduct for Engaging External Parties | Ensures that contact and engagement with a wide range of external parties in the context of the ESG Program is undertaken effectively and ethically. We believe this code is a first within the investment industry.            | ESG Services.  |
| Promotional Purchasing Policy                              | Promotes the purchase of sustainable and ethically sourced promotional products.  | Marketing Department.  |

| Title                             | Purpose  | Application   |
|-----------------------------------|--|---------------|
| Paper & Printing Selection Policy | Promotes the use of recycled paper and paper from sustainably managed forests.   | Company-wide. |
| Communications Policy             | Ensures that all communications meet company standards of presentation. Includes instructions on minimizing printing costs and waste, including duplex printing as standard. | Company-wide. |
| Corporate Donations Policy        | Ensures that donations, sponsorships, fundraising and volunteering supported by the company reflect our values and comply with regulations.                                  | Company-wide. |

## The Principles That Guide Us

We subscribe to a range of voluntary economic, environmental and social principles — following them ourselves where they apply to our work, or encouraging the companies in our portfolios to follow them.

| Initiative  | Our Role  | Date of Adoption  | Stakeholders            |
|---|---|---|-------------------------|
| UN Principles for Responsible Investment (PRI)                        | Signatory. We choose to disclose fully our submission to the annual PRI Assessment of performance against the Principles. | 2006 ( <i>Ethical Funds</i> )<br>2009 ( <i>company-wide</i> ) | Institutional investors |
| Global Reporting Initiative (GRI)                                     | We follow the GRI framework for our own CSR reporting and encourage portfolio companies to do the same.                   | Long-term   | Multi-stakeholder       |
| Carbon Disclosure Project (CDP)                                       | Signatory. We promote CDP to portfolio companies and co-sponsored the CDP 2010 Canada Report.                             | Long-term   | Institutional investors |
| CDP Water Disclosure Project  | Signatory   | 2010  | Institutional investors |
| Forest Footprint Disclosure Project                                   | Signatory   | 2009  | Institutional investors |
| Canadian Boreal Initiative (CBI) Boreal Forest Conservation Framework | Endorser  | Long-term   | Multi-stakeholder       |
| Extractive Industries Transparency Initiative (EITI)                  | Supporting Investor   | Long-term   | Multi-stakeholder       |
| UN Global Compact (GC)  | We promote GC to portfolio companies.   | Long-term   | Multi-stakeholder       |
| Forest Stewardship Council (FSC)                                      | We promote FSC certification to portfolio companies and give preference to FSC paper products.                            | Long-term   | Multi-stakeholder       |

## Working Together To Advance Our Industry

We participate in a wide range of associations and organizations that strengthen our industry or address sustainability issues.

|   |   |
|---|---|
| Investment Funds Institute of Canada (IFIC)           | Member. We sit on the Point of Sale Advisory Committee and the Legal-Compliance Issues Committee.   |
| FundSERV  | Member  |
| Canadian Cooperatives Association (CCA)               | Member  |
| Social Investment Organization (SIO)                  | Sustaining Member. We sit on the Board, the Policy & Advocacy Committee (Chair), the committee on French-English industry terminology (Chair), the Annual Conference Planning Committee, and the Board Development and Nominations Committee. |
| Boreal Leadership Council (BLC)                       | Member  |
| Canadian Coalition for Good Governance (CCGG)         | Member. We sit on the Public Policy Committee.  |
| International Corporate Governance Network (ICGN)     | Member  |
| Ceres – Investor Network on Climate Risk (INCR)       | Member  |
| Interfaith Centre for Corporate Responsibility (ICCR) | Affiliate member  |
| Canadian Business for Social Responsibility (CBSR)    | Member  |

## Stakeholder Engagement

We follow the AccountAbility AA1000 Stakeholder Engagement Standard definition of stakeholders: “Stakeholders are those groups who affect and/or could be affected by an organisation’s activities, products or services and associated performance”. Applying this definition, we have identified a diverse set of stakeholders: our mutual fund unit holders, our ESG Services clients, the financial advisors who recommend our products, our owners, our employees, our suppliers and outsourced service providers, our regulators, the media and the companies held within our funds.

| Stakeholders         | How we engage (4.16)   | Engagement in 2010 (4.14)  | Issues raised and company response (4.17)  |
|----------------------|--|--|--|
| Unit holders         | Our unit holders have access to our Client Services team by phone from 8 am - 8 pm EST and also through email. Through Client Services, we can provide service in seven languages – English, French, Punjabi, Mandarin, Cantonese, German and Bosnian. | Our Client Services team is contacted constantly by unit holders. Our last Ethical Funds unit holder survey was conducted in 2008. In 2011 we will be surveying perceptions of our Ethical Funds brand among unit holders (and other investors). |  |
| ESG Services clients | As part of our service agreement, we meet with clients quarterly if desired.   | In 2010, we met with clients in March, June, September and December.   | As a result of feedback from a client, we took steps to enhance French language service provision. |

| Stakeholders                               | How we engage (4.16)  | Engagement in 2010 (4.14)   | Issues raised and company response (4.17)  |
|--|---|---|--|
| Advisors                                   | Our Sales team conducts regular sales calls and meetings with current and prospective supporting advisors. We also provide webcasts from our portfolio managers. The events and regular sales meetings help to foster relationships and build product knowledge for our advisors. | In addition to regular contact with our Sales team, in 2010 we held Fall conferences for our advisors in Vancouver, Edmonton, Calgary and Toronto. We also surveyed advisors on their perceptions of our fund line-up and our Sales team.   | Based on the results of the advisor perception survey we are increasing the size of our Sales team.  |
| Owners                                     | Our owners are represented on our Board of Directors, which meets quarterly. Our CEO has regular contact with our credit union owners.  | In addition to the quarterly Board meetings, our CEO gave presentations at credit union conferences and met with several credit union CEOs.   |  |
| Employees                                  | We publish an internal newsletter, provide a "newsflash" service for special announcements, and organize town hall meetings to provide information on important developments and updates on corporate strategy.   | In 2010, we surveyed our employees regarding the company's CSR Commitments; we re-established the internal newsletter; we set up an internal network drive for important company information accessible to all employees; and we held a conference for our Sales team.  | The CSR Survey results validated the CSR Policy and provided input into future CSR program planning. The operational impact areas that are most important to staff are: reducing paper use, ensuring good air quality, and improving our waste management.           |
| Suppliers and outsourced service providers | In addition to day-to-day contact, we organize symposia involving Ethical Funds' portfolio managers and ESG analysts. For all brands, our portfolio managers regularly offer presentations to our Sales team and to advisors.   | During 2010, all our portfolio managers presented to our Sales team. We held a symposium in January for Ethical Funds portfolio managers and the ESG Services team.   |  |
| Regulators                                 | We engage directly with regulators, policy makers and industry associations that are relevant for the ESG performance of companies held within our funds. We also engage with investment industry regulators, often through the industry associations to which we belong.         | In 2010, we wrote six ESG policy submissions.<br><br>Our policy submissions are disclosed on our website at: <a href="http://www.NElinvestments.com">www.NElinvestments.com</a> > ESG Services > Public Policy & Standards.<br><br>We were also active on the boards and committees of our industry associations. See "Working Together To Advance Our Industry". | We were invited to meet with Alberta Government officials to provide investor perspectives on oil sands policy. Our Vice President for ESG Services was asked to join the Canadian Association of Petroleum Producers Responsible Canadian Energy stakeholder panel. |

| Stakeholders           | How we engage (4.16)   | Engagement in 2010 (4.14)  | Issues raised and company response (4.17)  |
|------------------------|--|--|--|
| Companies in our funds | For our Ethical Funds family, every year we create a Focus List of companies that will be engaged. The criteria for inclusion on the Focus List include ESG risks identified at the company, our exposure to those risks, and the extent of impact that we can have. | In 2010, the Ethical Funds Focus List consisted of 61 companies. We also engaged companies on behalf of ESG Services clients.  | Results of our engagements were published in the ESG Program Annual Report 2010, available on our website at: <a href="http://www.NEIinvestments.com">www.NEIinvestments.com</a> > ESG Services > How We Work > Accountability |
| Media                  | Our communications team responds to media inquiries. We also receive regular requests for interviews on investment issues.   | In 2010, we responded to eight media inquiries. NEI Investments received more than 20 media mentions in various publications including The Globe & Mail, Investment Executive, Financial Post, Canadian Business and The Calgary Herald. |  |

## Our Employees

We offer our employees a competitive package of compensation and benefits, which includes:

- Provincial Medical Plan
- Extended Healthcare
- Healthcare Spending Account
- Dental Care
- Short-term Disability
- Long-term Disability
- Basic Life Insurance
- Accidental Death or Dismemberment Insurance
- Dependent Life Insurance
- Best Doctors
- Employee and Family Assistance Program (confidential health and social counselling service)
- Fit Pays Program (subsidy for fitness club membership or fitness classes)

### Our Workforce in 2010

| Region                 |                          | Ontario   | BC        | Quebec   | Alberta  | Saskatchewan | Total     |
|------------------------|--------------------------|-----------|-----------|----------|----------|--------------|-----------|
| Full-time Permanent    | Management               | 11        | 11        | 1        | 0        | 0            | 23        |
|                        | Supervisory              | 1         | 1         | 0        | 0        | 0            | 2         |
|                        | Technical / Professional | 16        | 23        | 5        | 1        | 1            | 46        |
|                        | Admin / Support          | 5         | 11        | 0        | 0        | 0            | 16        |
| Full-time Temporary    | Contingent               | 1         | 2         | 0        | 0        | 0            | 3         |
| Part-time              |                          | 0         | 0         | 0        | 0        | 0            | 0         |
| <b>Total Workforce</b> |                          | <b>34</b> | <b>48</b> | <b>6</b> | <b>1</b> | <b>1</b>     | <b>90</b> |

### Employee Turnover in 2010

| Region                | Ontario   | BC        | Quebec   | Alberta  | Saskatchewan | Total     |
|-----------------------|-----------|-----------|----------|----------|--------------|-----------|
| Male                  | 7         | 10        | 2        | 0        | 1            | 20        |
| Female                | 3         | 3         | 0        | 0        | 0            | 6         |
| <b>Total Turnover</b> | <b>10</b> | <b>13</b> | <b>2</b> | <b>0</b> | <b>1</b>     | <b>26</b> |

## Mutual Fund Regulation In Canada

The design and sale of mutual funds is closely regulated in Canada. Among the most significant regulations are the National Instruments laid down by the Canadian Securities Administrators:

- *NI 81-101 Mutual Fund Prospectus Disclosure*: Addresses the form and content of a simplified prospectus.
- *NI 81-102 Mutual Funds*: The “foundational” National Instrument governing many aspects of our business including investment activities and restrictions, creation of a new fund, conflicts of interest, changes to funds, custodianship, sales and redemptions, financial controls, compliance reports, sales communications, and recordkeeping.
- *NI 81-105 Sales Practices*: Governs the relationship between fund managers and distributors, describing permitted and prohibited compensation and incentives, and co-sharing of marketing and sales promotion activities.
- *NI 81-106 Continuous Disclosure*: Addresses continuous public disclosure of fund performance, financial issues, and the Annual Information Form (AIF).
- *NI 81-107 Independent Review Committee*: Mandates that all fund managers should have an external oversight function to address and respond to perceived or real conflicts of interest that might arise between the interests of the unit holders and the interests of the fund managers.

Learn more about the regulations governing mutual funds in Canada:

<http://www.osc.gov.on.ca/en/6449.htm>

## NEI Investments

NEI Investments is owned 50% by the Provincial Union Centrals and 50% by Desjardins Group, and offers a wide range of conventional and corporate class funds from Northwest Funds and from Ethical Funds, the largest responsible investing fund family in Canada. NEI Investments currently has over \$5 billion in assets under management.

NEI Investments has offices in Toronto, Vancouver and Montreal.

To contact us:

### Head Office

#### NEI Investments

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