Sustainable Finance Research Project

Author: Junan (Jacob) Rao, M.Sc., *Principal Consultant / Founder, InnoTechPioneers*

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energyfutureslab

Sustainable Finance Research Project Report

Author:

Junan (Jacob) Rao, *M.Sc.*
Principal Consultant / Founder, InnoTechPioneers

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Executive Summary

The Environmental, Social, and Governance (ESG) retail fund segment has been gaining tremendous interest from sustainable and responsible investors over the last few years. In the investment industry, a variety of ESG funds are created to meet the increasing demand from investors. Divesting from the fossil fuels industry is attributed to addressing the climate crisis, and that continues to put enormous pressure on energy companies within the context of global energy transition. The Alberta energy sector currently faces many challenges in the capital markets and seeks its place in the world of transitioning into net-zero economy.

With a focus on capital markets and investors, ***Energy Futures Lab (EFL)*** initiated the Sustainable Finance Research Project, and it is a policy collaborative work in conjunction with the ***University of Calgary*** and ***InnoTechPioneers*** in the service of the EFL to examine the effect of reallocations of capital on the Alberta energy sector.

The study is conducted to assess similar phenomenon based on empirical analyses in the Canadian investment industry over the last five years. The Top 18 Alberta energy companies ranked by market capitalizations are identified along with the Top 10 Asset Mangers (AMs) who own and invest in the companies ranked by total shares outstanding. The Top 10 largest Assets Under Management (AUM) funds in each Canadian equity/focused ESG, non-ESG, and Energy Sector retail fund segments are studied to answer two questions – whether the ESG funds segment is the fastest growing retail fund in the Canadian market, and, whether the ESG funds exclude Alberta energy companies, followed by systematic discussions.

The study suggests that, in Canada, Alberta energy companies are included in ESG funds but slightly less than included in non-ESG funds. The Alberta energy sector still attracts investment from certain types of investors, and AMs value the sector as a maximizing risk-adjusted return investment strategy. However, three key important trends on Canadian ESG funds can still be summarized as follow:

- There has been a huge reallocation of capital towards Canadian ESG retail fund segment – a 180.7% increase in total assets – over the last five years, and the segment is continuously attracting public investors and it is experiencing a rapid growth.
- The trend of excluding energy companies among Canadian ESG funds is occurring. These types of funds demonstrate superior growth in AUM, and the number of such ESG funds is increasing.
- The number of ESG-related shareholder resolutions is expected to rise more frequently among energy companies, and AMs will take a firmer stance on sustainability issues to best represent the investment interest of sustainable and responsible investors.

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Introduction

Sustainable or responsible investing is a broad investment guiding principle for many investors nowadays. In recent years, financial institutes like MSCI have developed a series of ESG (environmental, social & governance) criteria, allowing AMs to adopt and incorporate these criteria into their product creation as an investment strategy. As markets start to price climate risk associated issues into companies' values, Larry Fink, the CEO of world's largest asset manager – Blackrock, claims that the capital market is undergoing a fundamental reallocation towards sustainable investment (Blackrock, 2021). On top of that, advanced technology and more disclosed comprehensive data are enabling asset managers to offer these ESG incorporated portfolios to a much broader group of people. Fink hypothesizes that this fundamental change would accelerate massive capital investing towards companies that are well prepared to address climate risks and social issues (Blackrock, 2021).

The USSIF's (United States Social Investment Forum) 2020 Report on US Sustainable and Impact Investing Trends pointed out that, just in the North American marketplace, there was more than a fivefold growth in sustainable investing into ESG incorporated funds from a total of about $3 trillion USD in 2013 to $17 trillion USD in 2020 (see Figure 1). Companies that are environmentally and socially responsible are probably better positioned to attract these sustainable-minded investors (Hileli, 2020). In the investment industry, Sustainable investment funds are also referred as ESG funds, and they can be organized into categories such as ESG integration, ESG focus, and Sustainable Sector Funds (Liu, 2020; RIA, n.d.-b; Robeco, n.d.-d), as well as integrating various investment strategies. A true ESG fund by its definition shall integrate ESG criteria or issues as one of its investment strategies (Robeco, n.d.-d). However, not all ESG funds are equally created or accessible (Fidelity Investment, n.d.). A challenge that investment managers and investors are facing is identifying true ESG funds among other funds that are simply feeding into an ESG-centred marketing push (Schanzenbach & Sitkoff, 2020).

The main motivations behind the above trends are climate change spurred social movement towards low-carbon economy and divestment campaigns against fossil fuel companies (Bergman, 2018; Halcoussis & Lowenberg, 2019; Muñoz, 2021; Trinks et al., 2017). The social movement of fossil fuel divestment certainly creates an effect among institutional investors, with some, such as Harvard University, having announced fossil fuel industry divestment (Anderson & Birnbhaum, 2021). However, the impact among institutional investors, governments, and social groups are not equal (Bergman, 2018; Dordi & Weber, 2019).

Traditional Investment Managers, also referred to as AMs, can play a significant role in this global initiative through their influencing in investment strategies (Bergman, 2018; Muñoz, 2021), apart from other efforts in combating climate

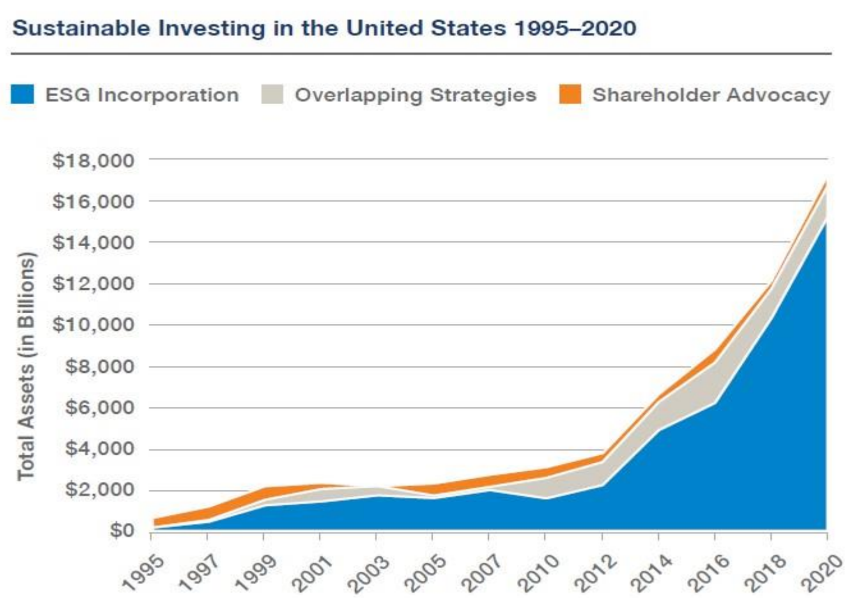


Figure 1. USSIF Reported Sustainable Investing in the U.S. from 1995-2020.
(Source: US SIF 2020 Report on US Sustainable and Impact Investing Trends)

change, such as technological innovation. The 2018 Corporate Mapping Project (CMP) Report indicates that asset managers (e.g., The Vanguard Group, Capital Research and Management Company, Blackrock) were identified as the second most significant owners of the largest fossil-fuel firms in Canada. The report identifies major shareholders in these firms and calculates the total shares of these shareholders held in the industry's total revenues. Using this approach, it determined that approximately 15 per cent of fossil fuel industry revenue generated in Canada were controlled by these AMs (Carroll & Huijzer, 2018). In comparison, banks and life insurers account for 12 percent of revenues, and interestingly, Canadian federal and provincial governments only about 2% of its revenue (Carroll & Huijzer, 2018). Figure 2 shows the top 25 owners in terms of share of the energy sector revenues. For example, the total number of AMs in the top 25 is 9.

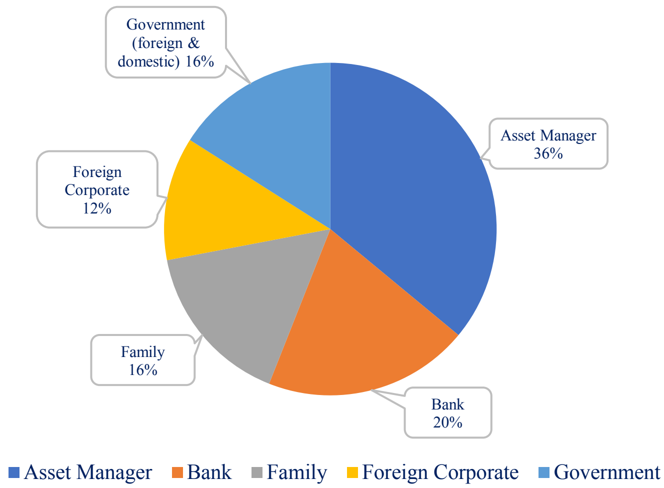


Figure 2. Top 25 owners of Canada's fossil fuel sector from 2010 to 2015 in terms of share of sector revenues.
(Data adopted from Carroll & Huijzer, 2018)

In addition, shareholder resolution or proposal is a useful tool for corporate shareholders in creating an engagement among other shareholders on certain given issues when a dialogue fails (NEI Investment, n.d.). It permits shareholders to seek actions (e.g., information disclosure, changing policies, modifying certain operational practices) from corporations (ICCR, n.d.) with an intention to improve shareholder values. In recent years, studies like Raghupathi et al., (2020) suggests that ESG-related shareholder resolutions could influence and shape corporate response towards sustainability issues, and studies like Gomtsian (2020) suggests that asset managers have been slowly demonstrating leadership in engaging shareholders on corporate issues (Handy & Romanek, 2021; Napach, 2020).

Therefore, under this context, AMs could best represent the public interest and substantially influence energy companies' corporate actions in addressing climate crisis by strategizing their investments (Bergman, 2018; Muñoz, 2021).

Research Questions & Objective

Recent fossil fuel divestment campaigns, to an extent, have created some impacts on government policy and the finance industry as well as corporate ESG disclosure in some parts of the world (Bergman, 2018; Hunt & Weber, 2019). The majority of Canadian energy companies[1] are housed in Alberta, and the energy sector is the backbone of the Alberta economy. The Alberta energy sector contributed roughly 5% to total Canadian GDP in 2019 (NRCan, 2020), and sustainability has become a key focus in corporate business operations in recent years. With that in mind, two questions are raised – 1) whether Canadian equity/focused ESG funds is the fastest growing retail fund segment in comparison to both non-ESG funds and Energy Sector funds; and 2) whether Alberta based energy companies are included in these ESG funds. The objective is to provide empirical trends and evidence to the Government of Alberta.

[1] Energy Company is a term used for both Oil &Gas and pipeline companies.

Methodology

To investigate the answers to the two questions, considering Canada only reflects roughly 3% of global total index weight and Canadians holds approximately 70% of their investment funds in the domestic market (RBC Global Asset Management, n.d.), only Canadian equity or focused funds are selected for this study. This approach can possibly reveal how the Canadian investment industry and investors perceive ESG funds and the energy sector. Three retail fund segments are analysed, namely Canadian equity/focused ESG funds, non-ESG funds, and Energy Sector funds. Such funds are limited, particularly for ESG and Energy Sector funds. However, the Top 10 funds by AUM in each segment should be reasonably sufficient for this study. A detailed research approach is documented in this section as well as definitions of certain terms are explained:

- Assets Under Management (AUM) – is the total market value of a fund managed by AM
- AUM in SA View – AUM overview of a fund's assets that contains assets from fund of funds allocations managed by AMs
- AUM in FA View – AUM overview of a fund's retail-facing asset collected directly from investors
- Funds – Canadian equity or focused funds, including both mutual funds (MFs) and exchange traded funds (ETFs)
- Canadian Equity Fund – a minimum of 90% of a fund's asset is in Canadian companies
- Canadian Focused Fund – a minimum of 50% of a fund's asset is in Canadian companies
- ESG fund – a MF's or ETF's portfolio is created by incorporating ESG criteria or issues as part of its investment strategies
- Energy Sector[2] Fund – all securities of a fund are in energy sector
- Alberta Energy Companies – oil & gas and pipeline companies listed on the Toronto Stock Exchange (TSX) and headquartered in Alberta
- The last five years – December 31st, 2015 to August 31, 2021

Identifying TSX Listed Alberta Energy Companies and Asset Managers

S&P Capital IQ provides detailed ratings, data, research, indices, and information on industries, markets, companies, and funds (Chen, 2021), serving a range of clients such as academia, commercial banking, and government regulatory agencies (S&P Global Market Intelligence, n.d.). It is used to search Alberta headquartered TSX listed energy companies, and the Top 18 are identified and ranked based on market capitalization as of September 28, 2021. To illustrate the significant influence of AMs in these energy companies, their shares ownership in the last five years in the Top 18 Alberta energy companies were tracked using S&P Capital IQ. The Top 10 AMs with the largest ownership as of September 28, 2021, is also identified.

Identifying ESG, non-ESG, and Energy Sector Funds

SIMFund is a business intelligence platform widely recognized by the global asset management industry which is run by IFIC/ISS (SIMFund, n.d.). The SIMFund database is deployed to screen out ESG funds (both MFs and ETFs). Also, RIA – Responsible Investment Association – is an industry association for responsible investment in Canada (RIA, n.d.-a). The association showcases all available Canada domiciled sustainable or responsible investing funds provided by its members

[2] O&G companies including pipeline companies are referred as energy sector in investment industry.

who are asset managers. Its investment products list (RIA, n.d.-b) is valuable for screening Canadian equity/focused ESG funds. Prospectus of individual funds is reviewed to ensure those identified ESG funds are actual ESG funds. Thus, the Top 10 funds in each segment (Canadian equity/focused ESG, non-ESG, and Energy Sector) are identified and ranked by AUM as of August. 2021.

Analyses for Question One

With the Top 10 fund names in each retail fund segment identified, both their AUM data in SA and FA views on the month of December in the last five years are retrieved using SIMFund database. The following two analyses are conducted to illustrate whether the ESG funds is the fastest growing retail fund segment over the last five years, using AUM as the criterion:

- Comparing the total AUM of the Top 10 ESG funds with the Top 10 Non-ESG funds as well as Energy Sector funds to examine whether the ESG funds increased the most.
- Comparing the Top 10 ESG funds with the Top 10 Non-ESG funds as well as Energy Sector funds on an annual basis, and 1-year (December 2015 to December 2016), 3-year (December 2015 to December 2018), 5-year (December 2015 to December 2020), and YTD (year-to-date, December 2015 to August 2021) periods to examine whether the growth of the ESG funds outperformed the other funds.

Analyses for Question Two

Changes in energy sector allocations by market value (%) in each of the Top 10 ESG funds and non-ESG funds in the last five years are also collected using both SIMFund and Morningstar databases – a retail financial services firm that also provides data platforms for investors and investment professionals[3]. The following analyses are carried out to illustrate the trending changes in the ESG and non-ESG funds, and to see whether there is a difference in energy sector allocations between the two segments:

- Comparing general trends of the averaged energy sector allocations by market value (%) of the Top 10 ESG funds as well as of the Top 10 non-ESG funds in a yearly basis over the last five years.
- Comparing the averaged energy sector allocations by market value (%) of the Top 10 ESG funds to the Top 10 non-ESG funds in each examined time-period – 1-year (December 2015 to December 2016), 3-year (December 2015 to December 2018), 5-year (December 2015 to December 2020), and YTD (December 2015 to August 2021).

S&P Capital IQ allows users to locate if a specific investment fund invests in a particular company and track its historical information on total shares held in that company. Information and data of shares held by identified ESG and non-ESG funds invested in the Top 18 Alberta energy companies in the last five years was collected through S&P Capital IQ database. With that, the following two analyses are carried out:

- The Top 18 Alberta energy companies are tracked to examine whether they are included in the ESG funds and non-ESG funds, and whether there is a difference between the two segments in terms of averaged number of inclusions.

[3] Morningstar (n.d.). About Us. Retrieved Oct. 12, 2021, from https://www.morningstar.com/company

- The growth of total shares held in the Top 18 Alberta energy companies by the ESG and non-ESG funds are examined in 1-year (December 2015 to December 2016), 3-year (December 2015 to December 2018), 5-year (December 2015 to December 2020), and YTD (December 2015 to August 2021) time-periods to see whether there is a difference.

Additionally, S&P Global Ratings evaluates corporate sustainability performance annually as per its proprietary ESG rating methodology (S&P Global Ratings, n.d.). It provides weighted overall ESG scores as well as separate scores for the three dimensions – Environmental, Social, and Governance. Overall ESG and Climate scores in the last five years on each of the Top 18 TSX listed Alberta energy companies are obtained through S&P Global Ratings, to analyze whether there is a relationship between corporate overall ESG scores and the number of times it has been included in the ESG funds.

Additional Analyses on Question Two

S&P Capital IQ sources companies' annual reports and documents filed to government agencies, such as the Canadian Securities Administrators (CSA) in Canada and Securities & Exchange Commission (SEC) in the US., from The System for Electronic Document Analysis and Retrieval (SEDAR) and the Electronic Data Gathering, Analysis, and Retrieval system (EDGRA), and it allows users to track those files of individual companies. Data and information on number of shareholder resolutions, type of resolution, resolution description, and voting results of the Top 18 Alberta energy companies in the last five years are retrieved from corporate Management Proxy Materials documents.

ESG-related shareholder resolutions could influence corporate sustainability performance (Raghupathi et al., 2020), which could, in turn, create an effect on investment interests among investors as well as investment funds allocations among AMs. Additional analyses are carried out to demonstrate whether there is a relationship between shareholder resolutions and corporate ESG scores, and a general trend in change of proxy voting results among the Top 10 AMs on ESG-related shareholder resolutions filed and voted against among the Top 18 Alberta energy companies in the last five years.

- Change in number of ESG-related shareholder resolutions filed and voted.
- Change in number of climate change shareholder resolutions filed and voted.
- Proxy voting results among the Top 10 AMs on ESG-related shareholder resolutions.

Results

Alberta Energy Companies & Asset Managers

According to S&P Capital IQ, Alberta is home to 63 out of the 71 (near 90%) TSX listed Canadian energy companies serving in the O&G and Pipeline Industries – Energy Sector. Out of the 63 Alberta energy companies, 28 have greater or equal to one billion by market capitalization. Institutional investors occupy the majority of public ownerships among those energy companies, and Traditional Investment Managers[4] – AMs – are the most concentrated within the group.

Table 1. Alberta based energy companies listed on TSX.

Rank	Company Name	TSX Symbol	Market Cap. ($ CAD, in MM)	Traditional Investment Managers (Total shares outstanding, %)
1	Enbridge Inc.	ENB	81,760	41.43
2	TC Energy Corp.	TRP	49,314	61.73
3	Canadian Natural Resources Limited	CNQ	42,631	64.67
4	Suncor Energy Inc.	SU	31,091	58.02
5	Imperial Oil Limited	IMO	21,414	20.21
6	Cenovus Energy Inc.	CVE	19,977	36.65
7	Pembina Pipeline Corp.	PPL	17,540	43.56
8	Tourmaline Oil Corp.	TOU	11,326	35.58
9	Inter Pipeline Ltd.	IPL	6,769	14.15
10	ARC Resources Ltd.	ARX	6,632	30.14
11	Keyera Corp.	KEY	5,597	38.32
12	Parkland Corp.	PKI	4,318	30.24
13	Whitecap Resource Inc.	WCP	3,449	25.34
14	Gibson Energy Inc.	GEI	2,736	46.84
15	Crescent Point Energy Corp.	CPG	2,706	29.47
16	PrairieSky Royalty Ltd.	PSK	2,482	65.50
17	MEG Energy Corp.	MEG	2,326	28.47
18	Parex Resources Inc.	PXT	2,215	46.91

(Rao, 2021. Source: S&P Capital IQ)

[4] Traditional Investment Managers, Banks/Investment Banks, and Government Pension Sponsors/Hedge Fund Managers are the top 3 Institutional Investors in the energy sector in Canada according to S&P Capital IQ database.

Table 2. Top 10 Asset Managers among the Top 18 Alberta based energy companies.

Based on value of shares owned/invested as of September 28, 2021
BMO Global Asset Management Inc.
RBC Global Asset Management Inc.
TD Asset Management, Inc.
The Vanguard Group, Inc.
CIBC Asset Management Inc.
Mackenzie Financial Corporation
Dimensional Fund Advisors L.P.
FMR LLC[5]
1832 Asset Management L.P.
Manulife Investment Management

(Rao, 2021. Source: S&P Capital IQ)

Table 1 illustrates the Top 18 Alberta based TSX listed energy companies in terms of Market Capitalization (in CAD millions – MM), as of September 28, 2021, as well as AMs in those energy companies based on percentage (%) of total shares outstanding. Table 2 lists the Top 10 AMs as of September 28, 2021. Not all listed AMs in the Table 2 are in the top 10 rank in each of the Alberta energy companies as of September 28, 2021 (see Appendix A), as it changes periodically, although they all invest in them.

Identifying ESG, non-ESG, & Energy Sector Funds

Table 3 illustrates the identified Top 10 Canadian equity/focused ESG, non-ESG, and Energy Sector funds in accordance with AUM in SA View – fund of funds allocations, as of August 2021 (referring to Appendix B for more information). Within the Top 10 ESG funds, four of them are less than five years since inception (incepted after December 2015). The rest are socially responsible or SRI funds that gradually evolved into ESG funds, such as NEI ESG Canadian Enhanced Index Fund, or funds that gradually include ESG criteria over time, such as RBC Vision Canadian Equity Fund.

5 FMR LLC is Fidelity Investments

Table 3. The Top 10 funds by AUM identified for each fund segment for this study as of August 2021.

Rank	AUM (MM) SA View	Fund Name	Issuer	Inception Date
The Top 10 Canadian Equity/Focused ESG Funds (MFs & ETFs)				
1	1,192.9	Desjardins SocieTerra Canadian Equity Fund	Desjardins Group	Nov. 2017
2	791.9	NEI Canadian Equity RS Fund	NEI Investment	Sep. 2002
3	377.6	IG Mackenzie Summa SRI Fund[6]	IG Wealth Management	Jul. 2003
4	371.6	IA Clarington Inhance Canadian Equity SRI Class	IA Clarington Investments	Dec. 2009
5	339.9	NBI Sustainable Canadian Equity ETF	National Bank Investments	Mar. 2020
6	302.9	NEI ESG Canadian Enhanced Index Fund[7]	NEI Investment	Mar. 2001
7	301.3	RBC Vision Canadian Equity Fund	RBC Global Asset Management	Jul. 2007
8	295.7	Desjardins RI Canada Multifactor - Low CO2 ETF	Desjardins Group	Sep. 2018
9	143.5	iShares ESG Aware MSCI Canada Index ETF[8]	RBC / Blackrock[9]	Mar. 2019
10	103.1	iShares Jantzi Social Index ETF[8]	RBC / Blackrock[9]	May, 2007
The Top 10 Canadian Equity/Focused non-ESG Funds (MFs & ETFs)				
1	20,090.5	RBC Canadian Dividend Fund	RBC Global Asset Management	Jul, 2007
2	13,384.2	Scotia Canadian Dividend Fund	Scotia Global Asset Management	Jan. 2002
3	12,069.9	iShares S&P/TSX 60 Index ETF	Blackrock	Sep. 1999
4	9,487.7	iShares Core S&P/TSX capped composite index ETF	Blackrock	Feb. 2001
5	8,679.1	Fidelity Canadian Growth Company Fund	Fidelity Investments	Oct. 2000
6	8,358.9	TD Dividend growth Fund	TD Asset Management	Nov. 2001
7	8,014.7	Manulife Dividend Income Fund	Manulife Investments	Mar. 2012
8	7,231.9	BMO Dividend Fund	BMO Global Asset Management	Nov. 2008
9	6,945.7	BMO S&P/TSX capped composite ETF	BMO Global Asset Management	May, 2009
10	6,923.8	Beutel Goodman Canadian Equity Fund	Beutel Goodman	Sep. 2010
The Top 10 Canadian Equity/Focused Energy Sector Funds (MFs & ETFs)				
1	1,256.6	iShares S&P/TSX Capped Energy Index ETF	Blackrock	Mar. 2001
2	429.0	Ninepoint Energy Fund	Ninepoint Partners	Apr. 2004
3	295.6	Canoe Energy Portfolio Class	Canoe Financial	Jan. 2012
4	164.7	Dynamic Energy Income Fund	Dynamic	May. 2004
5	137.3	BMO Equal Weight Oil & Gas Index ETF	BMO Global Asset Management	Oct. 2009
6	127.7	Canoe Energy Income Portfolio Class	Canoe Financial	Jan. 2012
7	48.4	CIBC Energy Fund	CIBC Asset Management	Jul. 1996
8	47.3	Horizons S&P/TSX Capped Energy Index ETF	Horizons	Sep. 2013
9	23.3	Horizons Enhanced Income Energy ETF	Horizons	Apr. 2011
10	20.8	Horizons Pipelines & Energy Services Index ETF	Horizons	Jul. 2014

(Rao, 2021)

[6] Also formerly known and referred as Investors Summa SRI Fund in S&P Capital IQ database
[7] Also formerly known and referred as NEI Jantzi Social Index Fund in S&P Capital IQ database
[8] Blackrock Canadian Division is Canada's largest ETF provider, and its issued iShares was acquired by RBC Global Asset Management as a strategic alliance on 30/06/2020
[9] RBC Global Asset Management (n.d.). About RBC iShares. Retrieved October 28, 2021, from https://www.rbcgam.com/en/ca/about-us/about-rbc-ishares

Question One – Whether ESG Funds is the Fastest Growing Retail Fund Segment

Overall Trends

Figure 3 and Figure 4 put all three retail fund segments into a visual perspective with data provided by SIMFund, span over the last five years, in AUM by SA view and FA view respectively. As demonstrated in the Figures, both the ESG and Energy Sector funds are insignificant in comparison to the non-ESG funds as it is the largest retail fund segment.

The demonstrated growing trend of the total AUM of non-ESG funds are close to identical in both SA and FA Views. The ESG funds segment catches up and surpasses the Energy Sector funds segment in December 2019 and continuous in 2021 in SA view. On the contrary, the Energy Sector funds segment maintains higher AUM in FA View than the ESG funds segment in the last five years, although the segment decreases its AUM between December 2016 and December 2020. However, the results show a different picture when using percentage (%) of growth in AUM as the criterion on yearly basis and studied time-periods – 1-year, 3-year, 5-year, and YTD.

For annual percentage (%) growth in AUM is calculated by using the next year's averaged AUM subtracting the pervious year's averaged AUM and dividing over the latter. For each studied time-period, taking the average AUM data point of December 2015 as the reference point (0% growth), percentage (%) growth in AUM of each studied time-period is calculated subsequently by using the corresponding year's averaged AUM subtracting the reference year's averaged AUM and dividing over the latter. Figure 5 illustrates annual growth in AUM in SA view and Figure 7 demonstrates the growth in studied time-periods, and that of FA View are in Figure 6 and Figure 8.

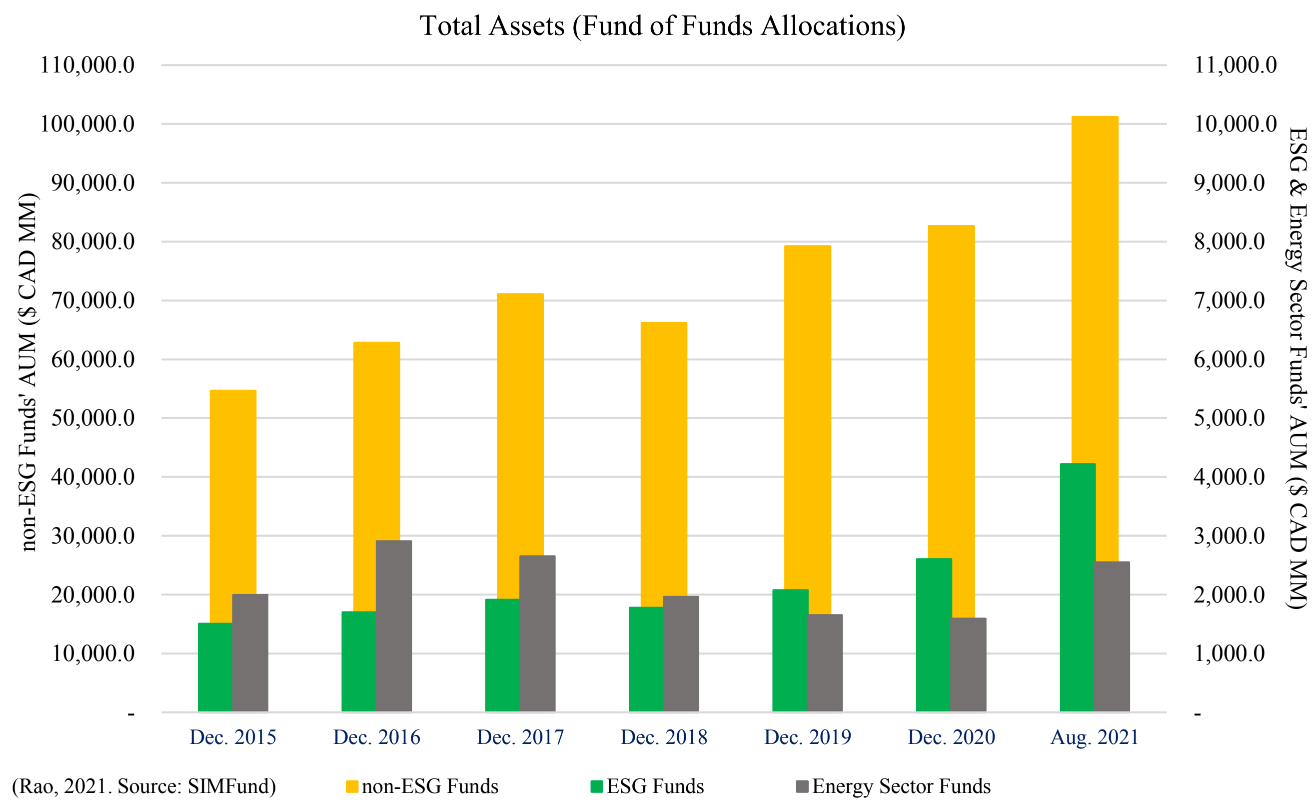


Figure 3. AUM growth in SA view of the three retail fund segments in the last 5 years.

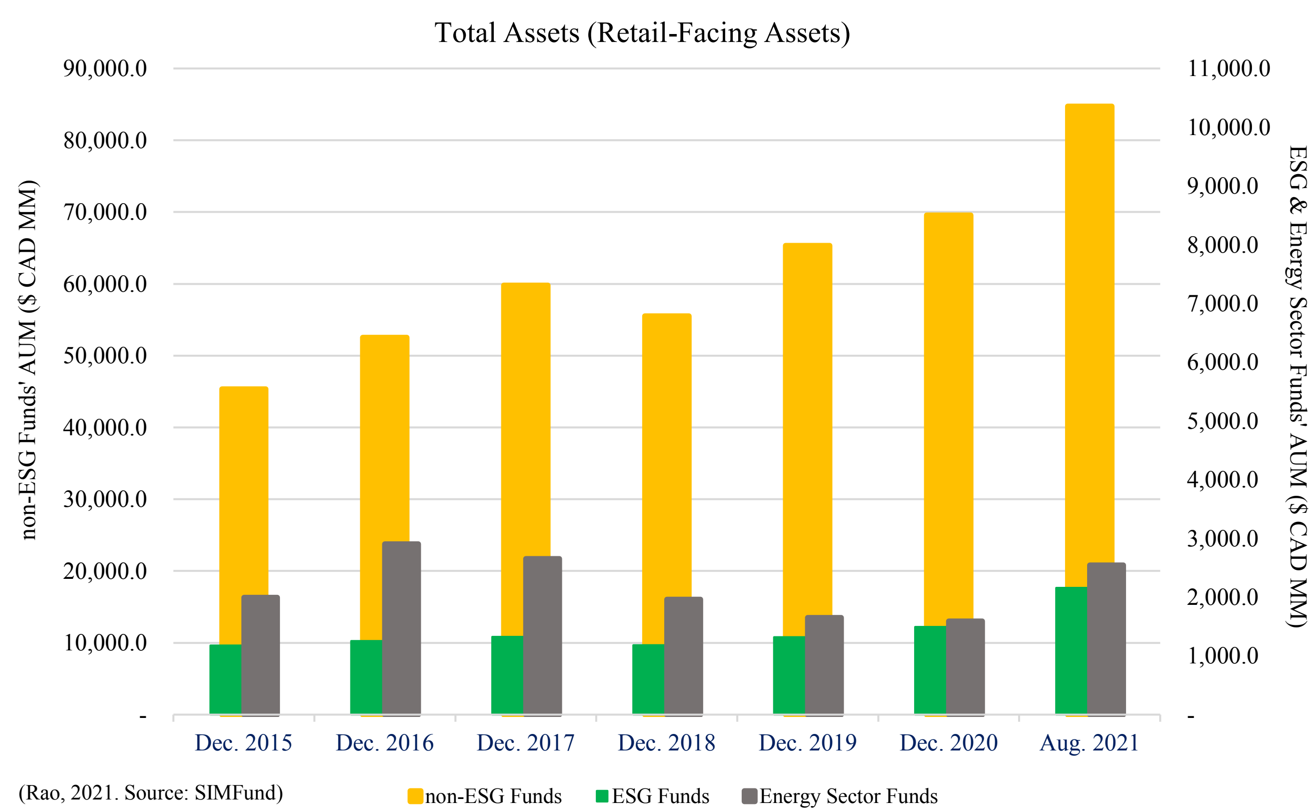
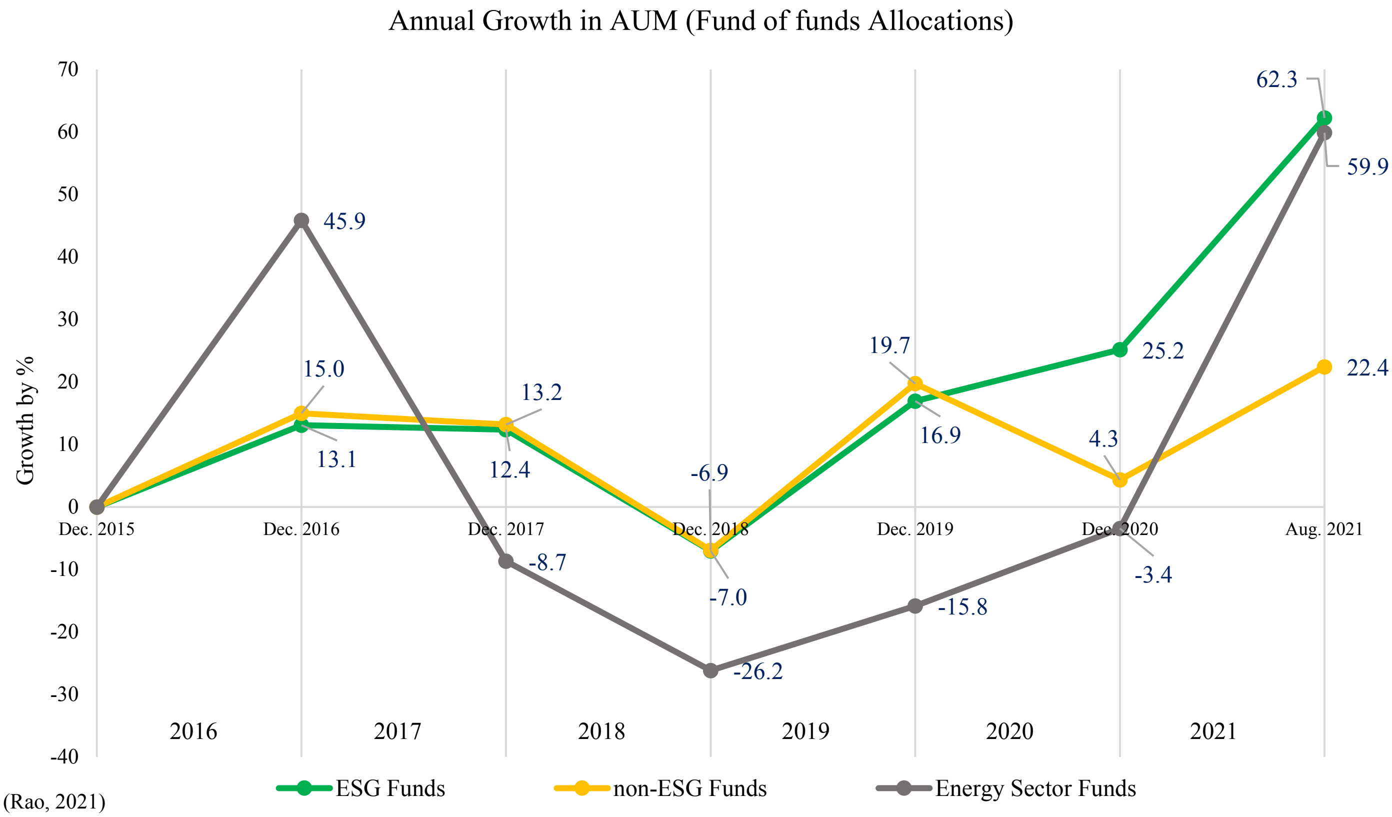
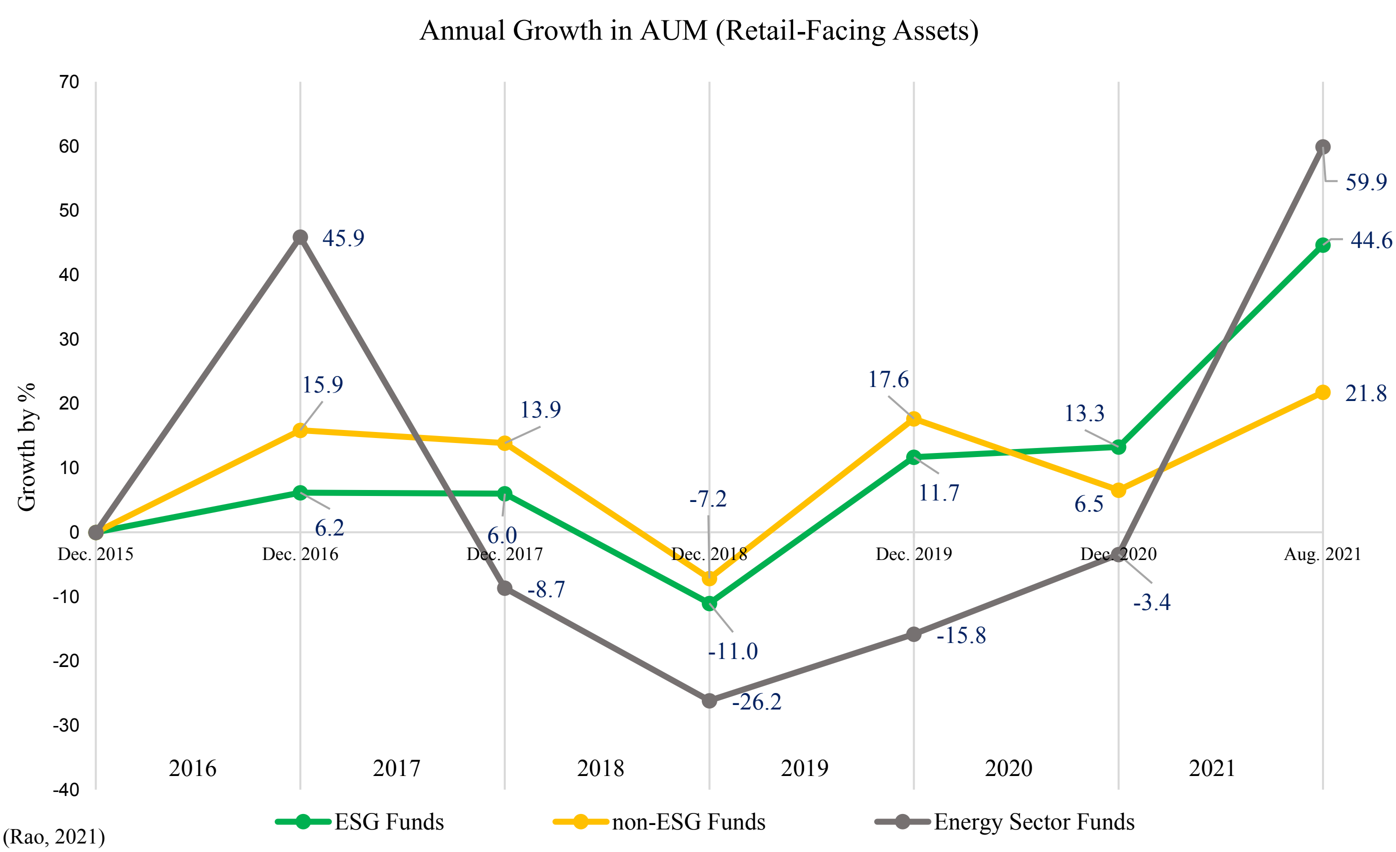


Figure 4. AUM growth in FA view of the three retail fund segments in the last 5 years.



(Rao, 2021)

Figure 5. Annual growth by percentage in AUM (SA View) of the three retail fund segments.



(Rao, 2021)

Figure 6. Annual growth by percentage in AUM (FA View) of the three retail fund segments.

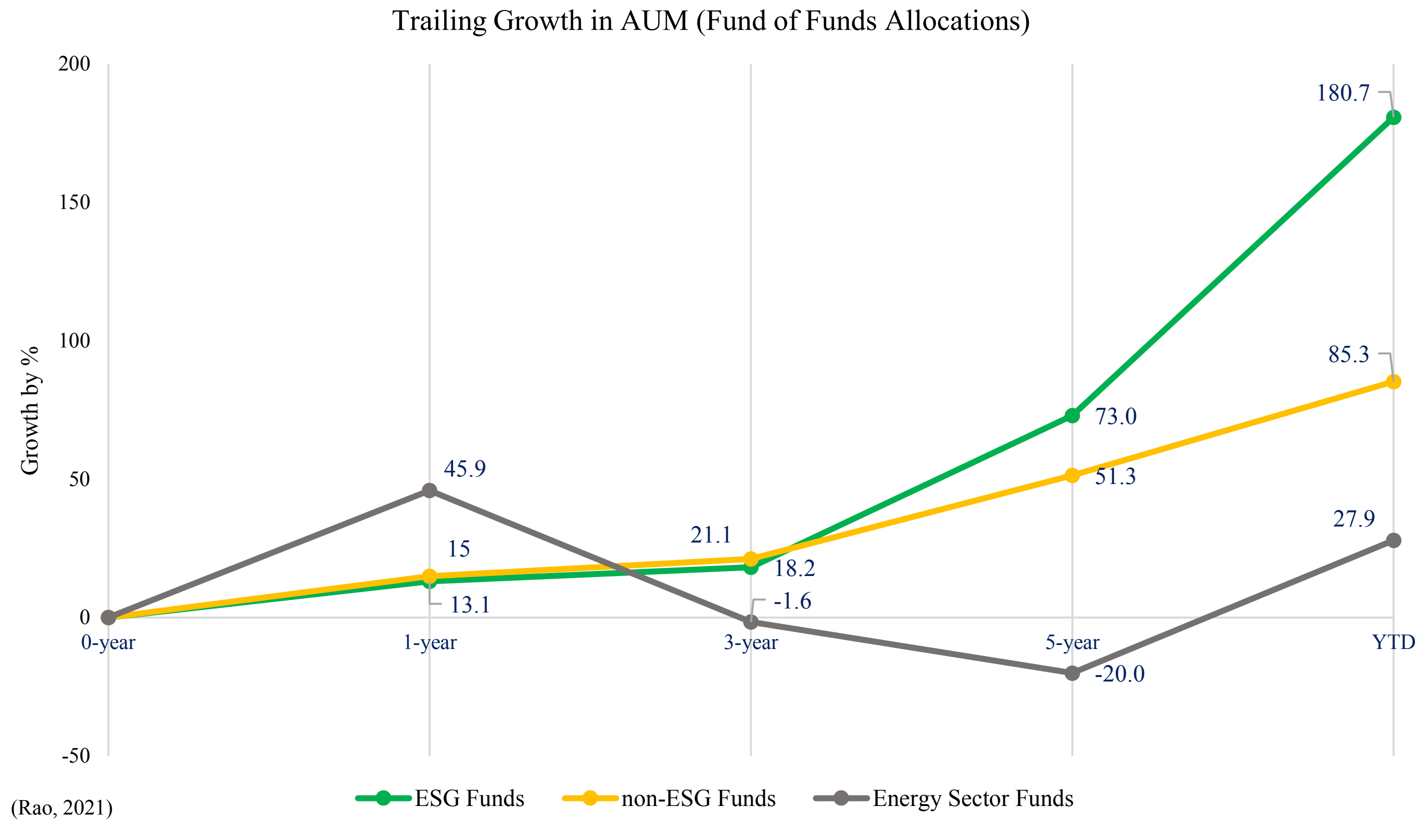


Figure 7. Growth in AUM (SA View) of the three retail fund segments by percentage in studied time-periods.

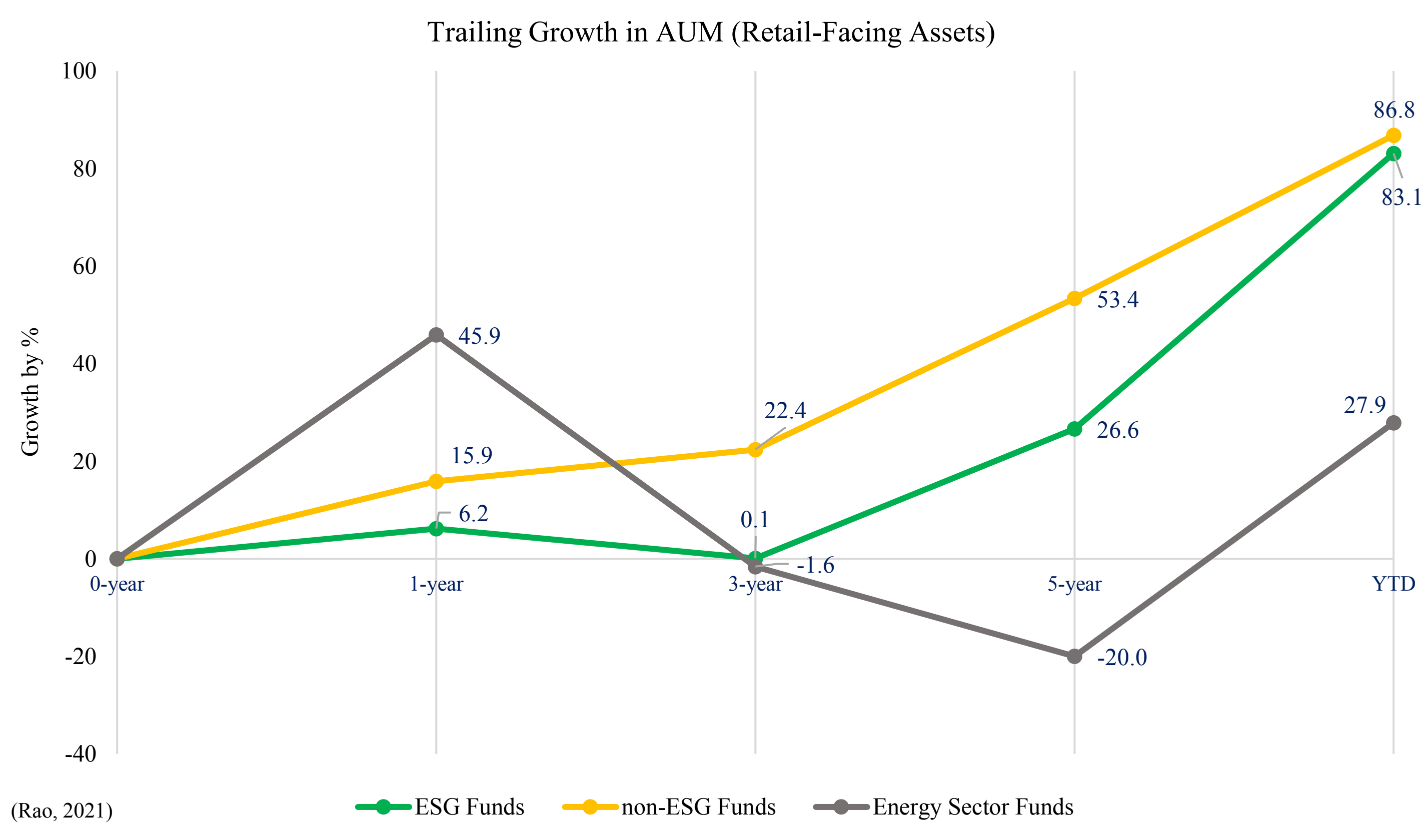


Figure 8. Growth in AUM (FA View) of the three retail fund segments by percentage in studied time-periods.

Within the three segments, Figures 5 and 6 share overall similar growth trends up to December 2020. Specifically, during the first one-year period (December 2015 to December 2016), all three retail fund segments show promising growth with the Energy Sector funds as the fastest growing segment. Between December 2016 and December 2018, the annual growth rate slows down for both the ESG and non-ESG funds, but the Energy Sector funds shows a significant decline in growth. The annual growth rate climbs back up in a rapid fashion in the following years for the ESG funds, and the non-ESG funds gradually increase. The decreasing rate slows down for the Energy Sector funds after December 2018. It is noteworthy that, the ESG and non-ESG funds both show an overall steady growth over the last five years, and the growth of ESG funds surpasses the other two retail fund segments and becomes the fastest growing one in 2020.

An interesting difference in trend between the two Figures is that, for the first half of 2021, the growth rate of the Energy Sector funds meets that of ESG funds by August 2021 under the context of fund of funds allocations and much outgrows the ESG and non-ESG funds under the context of retail-facing assets, even though the retail fund segment experiences a four-year substantial impact on its growth between 2017 and 2020.

Further analyses on each studied time-period, in Figure 7 & 8, suggests the followings:

- 1-year period – the Energy Sector funds is the fastest growing retail fund segment from December 2015 to December 2016 followed by the non-ESG funds and ESG funds, respectively.
- 3-year period – both the non-ESG and ESG funds experience an upward trend in growth while the energy sector funds segment shows a downward trend, and the non-ESG funds segment grows faster than the ESG funds.
- 5-year period – both the non-ESG and ESG funds experience an upward trend in growth while the energy sector funds segment shows a downward trend. SA View data exhibits that the ESG funds grows faster than both the non-ESG funds and Energy Sector funds after December 2018 while FA View data illustrates an opposite trend with the non-ESG funds still in lead.
- YTD period – all three retail fund segments demonstrate an upward trend in growth. The ESG funds segment shows the superior performance in AUM growth in terms of fund of funds allocations (SA View) while sharing similar performance in terms of retail-facing assets (FA View) with the non-ESG funds.

Question Two – Whether ESG Funds Excludes Alberta Energy Companies

General Trend of Energy Sector Allocations

Table 4. Percentage (%) energy sector allocations in the ESG funds.

ESG Funds	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
Desjardins SocieTerra Canadian Equity Fund	—	—	—	16.3%	16.3%	0.9%	0.0%
NEI Canadian Equity RS Fund	16.8%	17.7%	17.4%	21.0%	21.2%	12.5%	13.0%
IG Mackenzie Summa SRI Fund	9.2%	16.6%	13.2%	8.4%	8.7%	7.0%	10.0%
IA Clarington Inhance Canadian Equity SRI Class	11.9%	14.6%	12.5%	6.8%	0.0%	0.0%	0.0%
NBI Sustainable Canadian Equity ETF	—	—	—	—	—	0.0%	0.0%
NEI ESG Canadian Enhanced Index Fund	12.5%	16.7%	16.5%	15.4%	15.7%	10.1%	10.6%
RBC Vision Canadian Equity Fund	17.5%	19.9%	22.7%	19.7%	17.2%	11.2%	12.6%
Desjardins RI Canada Multifactor - Low CO2 ETF	—	—	—	10.6%	14.6%	12.5%	12.9%
iShares ESG Aware MSCI Canada Index ETF	—	—	—	—	16.7%	11.5%	12.0%
iShares Jantzi Social Index ETF	13.3%	18.2%	17.1%	15.4%	15.7%	10.8%	12.1%
Average	**13.5%**	**17.3%**	**16.6%**	**14.2%**	**14.0%**	**7.6%**	**8.3%**

(Rao, 2021, Source: Morningstar)

Table 5. Percentage (%) energy sector allocations in the non-ESG funds.

Non-ESG Funds	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
RBC Canadian Dividend Fund	21.5%	23.6%	19.6%	18.7%	18.3%	12.3%	13.3%
Scotia Canadian Dividend Fund	12.2%	11.2%	12.2%	14.7%	16.5%	11.1%	11.4%
iShares S&P/TSX 60 Index ETF	18.4%	21.3%	20.5%	19.3%	18.9%	12.4%	12.7%
iShares Core S&P/TSX capped composite index ETF	18.0%	21.2%	19.4%	17.6%	17.3%	11.2%	11.7%
Fidelity Canadian Growth Company Fund	11.4%	4.3%	5.2%	8.5%	7.8%	7.0%	10.2%
TD Dividend growth Fund	15.9%	18.1%	19.0%	18.0%	18.6%	12.9%	13.8%
Manulife Dividend Income Fund	3.8%	10.5%	7.4%	3.8%	6.4%	0.0%	0.0%
BMO Dividend Fund	15.1%	17.3%	14.2%	12.7%	13.8%	8.0%	8.7%
BMO S&P/TSX capped composite ETF	18.0%	21.1%	19.4%	18.4%	17.3%	11.2%	12.0%
Beutel Goodman Canadian Equity Fund	9.5%	10.8%	7.4%	6.0%	10.9%	5.1%	7.5%
Average	**14.4%**	**15.9%**	**14.4%**	**13.8%**	**14.6%**	**9.1%**	**10.1%**

(Rao, 2021, Source – Morningstar)

Figure 9 displays the general trends of change in annual energy sector allocations in terms of percentage (%) by market value in both the ESG and non-ESG funds. Specifically, both retail fund segments have their energy sector allocations increased by market value in 2016 and gradually drops over the next three years. Interestingly, between December 2015 and December 2019, the ESG funds segment shows an overall higher percentage in allocations of Energy Sector than the non-ESG funds, and both drop in 2020. Both segments slightly increase their energy sector allocations in 2021.

For each studied time-period, taking the data point of December 2015 as the reference point (0%), change in energy sector allocations in percentage (%) by market value of each studied time-period is calculated by using the corresponding year's data subtracting the reference. Figure 10 shows the similar trend with the ESG funds segment reducing its energy sector allocations slightly more than the non-ESG funds in a 5-year time-period, which also indicates that there is not a significant difference between the two retail fund segments in terms of energy sector allocations by market value in the last five years – an average of 13.04% and 13.19% for ESG and non-ESG funds, respectively.

It is worth noting that, according to Table 4 & 5, a few ESG funds simply exclude the energy sector over time. For instance, "IA Clarington Inhance Canadian Equity SRI Class" excludes the energy sector starting in 2019, "Desjardins SocieTerra Canadian Equity Fund" starts in 2021, and "NBI Sustainable Canadian Equity ETF" completely excludes the energy sector as an investment strategy. Only one fund – "Manulife Dividend Income Fund" – in the non-ESG funds (a Canadian focused non-ESG fund) contains no energy companies starting in 2020, as shown in Table 5.

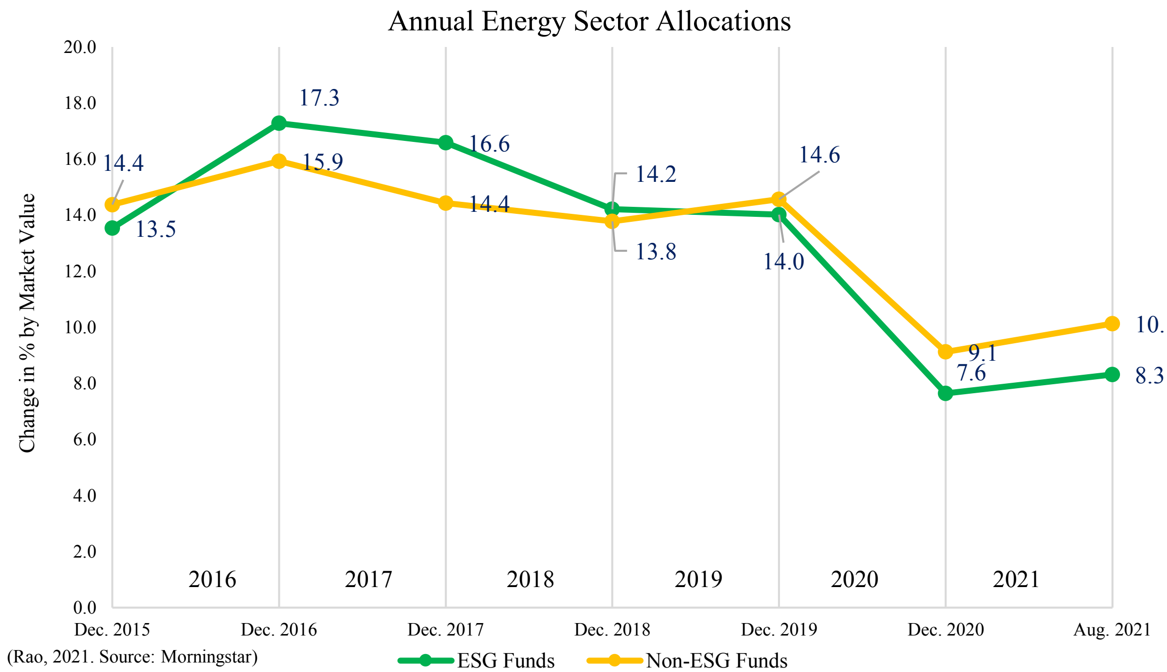


Figure 9. Change in Annual Energy Sector Allocations (% by Market Value) in the last 5 years.

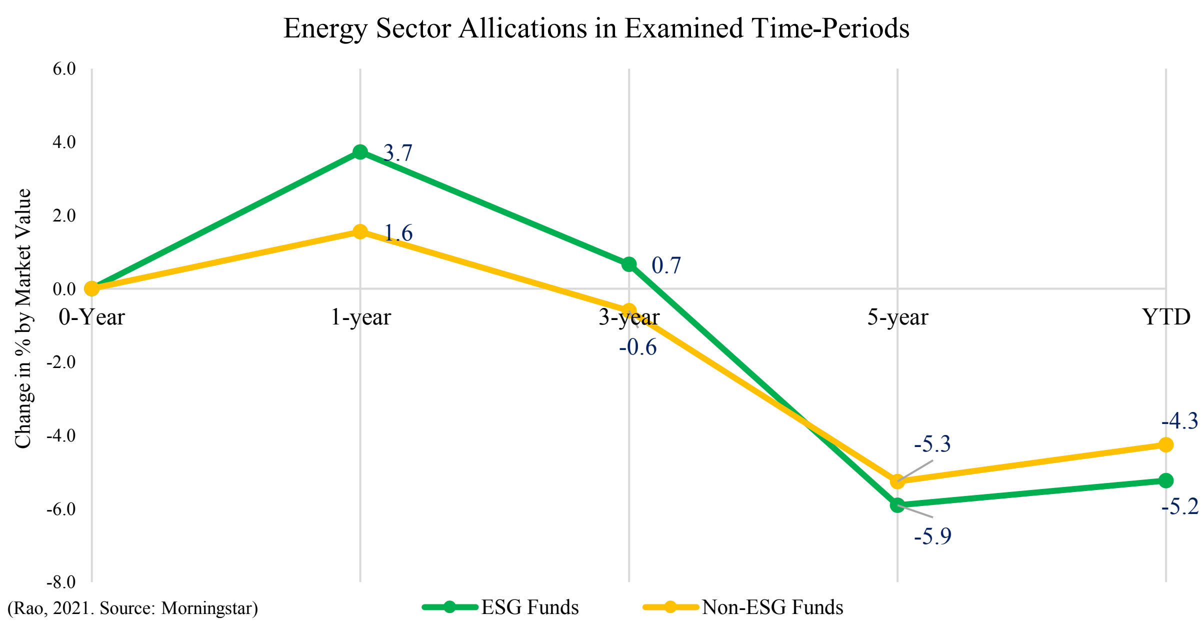


Figure 10. Change in Energy Sector Allocations (% by Market Value) in examined time-periods.

Inclusion of Identified Alberta Energy Companies

The numbers of times the Top 18 Alberta energy companies have been included in each of the Top 10 ESG and non-ESG funds in the last five years are shown in Table 6 and Table 7, respectively. The annual average in numbers is also displayed. Details on inclusions of the Top 18 Alberta energy companies among the ESG and non-ESG funds are provided in Appendix C.

Table 6. Annual number of inclusions of the Top 18 Alberta energy companies among the Top 10 ESG funds.

ESG Fund Name	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
Desjardins SocieTerra Canadian Equity Fund	—	—	—	6	7	1	0
NEI Canadian Equity RS Fund	4	4	3	4	4	5	5
IG Mackenzie Summa SRI Fund	5	5	4	4	4	12	12
IA Clarington Inhance Canadian Equity SRI Class	5	5	4	5	0	0	0
NBI Sustainable Canadian Equity ETF	—	—	—	—	—	0	0
NEI ESG Canadian Enhanced Index Fund	7	6	6	6	6	17	17
RBC Vision Canadian Equity Fund	14	13	9	7	9	7	8
Desjardins RI Canada Multifactor - Low CO2 ETF	—	—	—	2	3	4	4
iShares ESG Aware MSCI Canada Index ETF	—	—	—	—	16	17	14
iShares Jantzi Social Index ETF	7	6	6	6	6	7	8
Average	**7**	**6**	**5**	**5**	**6**	**7**	**7**

Note "—" indicates no records prior to inception date.
(Rao. 2021.)

Table 7. Number of annual inclusions of the Top 18 Alberta energy companies among the Top 10 non-ESG funds.

non-ESG Fund Name	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
RBC Canadian Dividend Fund	10	10	10	9	10	9	10
Scotia Canadian Dividend Fund	5	5	5	5	5	5	4
iShares S&P/TSX 60 Index ETF	10	10	10	10	8	8	8
iShares Core S&P/TSX capped composite index ETF	18	18	18	18	18	18	18
Fidelity Canadian Growth Company Fund	2	1	2	2	2	4	4
TD Dividend growth Fund	10	11	11	11	11	10	8
Manulife Dividend Income Fund	2	5	6	4	5	0	0
BMO Dividend Fund	10	10	8	7	6	4	4
BMO S&P/TSX capped composite ETF	18	18	18	18	18	18	18
Beutel Goodman Canadian Equity Fund	2	3	2	2	3	2	2
Average	**8**	**9**	**9**	**8**	**8**	**8**	**8**

Note "—" indicates no records prior to inception date.
(Rao. 2021.)

Alberta energy companies, apparently, do get included in Canadian equity/focused ESG funds. Within the segment itself, however, no general trend in a decrease or increase in number of inclusions of the Top 18 Alberta energy companies in the last five years is shown, as trends are varied among individual funds. For instance, "iShares Jantzi Social Index ETF" maintains at only 6 Alberta energy companies out of the 18 are included, and "IA Clarington Enhance Canadian Equity SRI Class" includes none starting in 2019, while "IG Mackenzie Summa SRI Fund" and "NEI ESG Canadian Enhanced Index Fund" both increase their holdings of Alberta energy companies by more than twofold in 2020. On the other hand, the segment of Canadian equity/focused non-ESG funds tends to maintain their number of inclusions of the Top 18 Alberta energy companies, especially Canadian equity funds, except "Manulife Dividend Income Fund".

Annual averaged number of inclusions in both the ESG and non-ESG funds are plotted in Figure 11. The Figure suggests that 1) annual averaged number of inclusions of the Top 18 Alberta energy companies among the Top 10 ESG funds decreased between 2016 and 2018 but increased in 2019, while the numbers remain closely the same among the Top 10 non-ESG funds, and 2) the non-ESG funds generally includes slightly more than ESG funds on average.

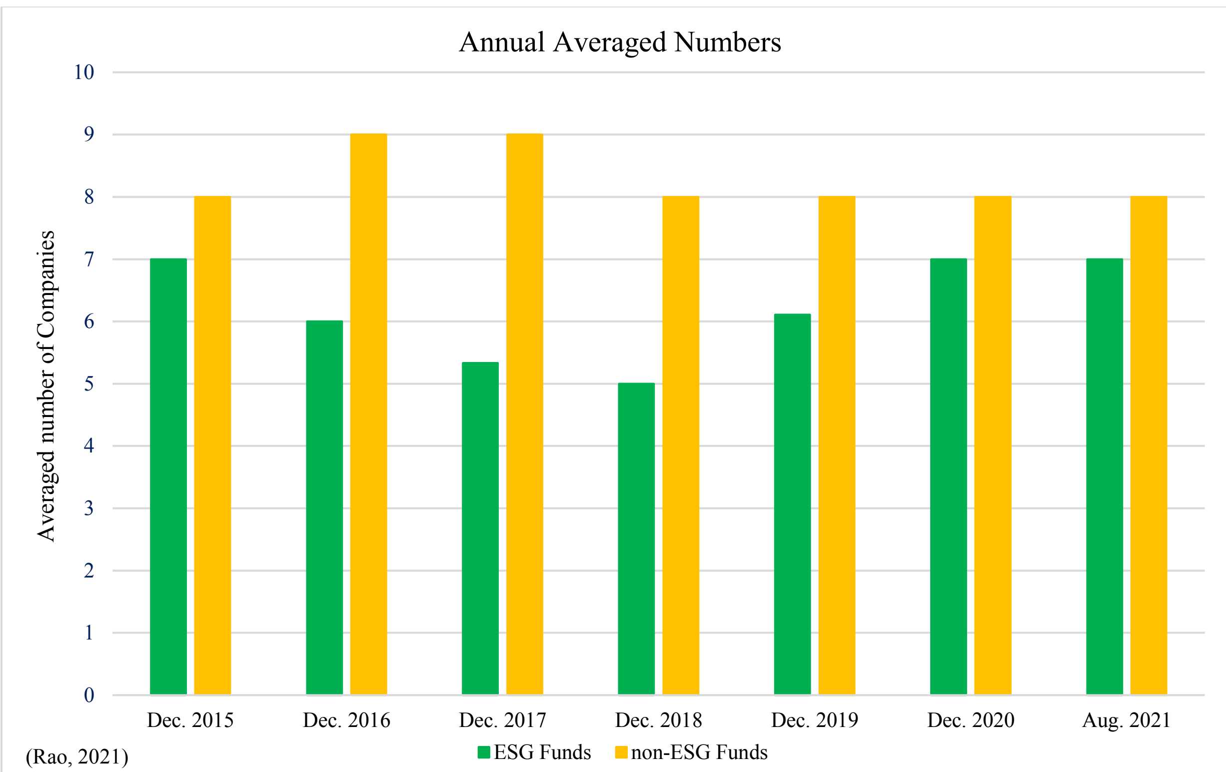


Figure 11. Annual averaged numbers of the Top 18 Alberta energy companies that have been included in the ESG and non-ESG funds.

Total Shares Held in the Alberta Energy Companies

Table 8 and 9 list the total shares held by the two retail fund segments in the Top 18 Alberta energy companies in the last five years, respectively. For each studied time-period, taking the data point of December 2015 as the reference point (0%), change in percentage (%) of the total shares held in the energy companies of each studied time-period is calculated by using the corresponding year's data subtracting the reference and dividing over the latter.

The ESG funds segment only holds a fraction (averaged around 3%) of shares in the Top 18 Alberta energy companies as opposed to that of the non-ESG funds, as suggested in Figure 12. Growth in total shares held by the two retail fund segments both showing an upward trend in a 3-year and 5-year time-period in comparison to December 2015. The ESG funds experiences a 61.0% in growth which is nearly six times greater than that of the non-ESG funds (11.7%) and another almost a thirty-fold (56.7%) higher in growth in contrast to 2.1% of the non-ESG funds. The growth is substantially higher for the ESG funds than the non-ESG funds as shown in Figure 13. This trend persists with the ESG funds continuing to lead.

Table 8. Total shares (in MM) held by the ESG funds in the Top 18 Alberta energy companies.

ESG Funds	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
Desjardins SocieTerra Canadian Equity Fund	—	—	—	2.231	2.182	0.082	0.000
NEI Canadian Equity RS Fund	3.734	3.211	2.810	3.573	4.562	3.957	3.770
IG Mackenzie Summa SRI Fund	1.384	1.550	1.299	1.001	1.063	1.338	1.271
IA Clarington Inhance Canadian Equity SRI Class	0.178	0.178	0.200	0.436	0.000	0.000	0.000
NBI Sustainable Canadian Equity ETF	—	—	—	—	—	0.000	0.000
NEI ESG Canadian Enhanced Index Fund	0.240	0.279	0.307	0.313	0.329	0.295	0.345
RBC Vision Canadian Equity Fund	0.171	0.163	0.940	1.316	1.079	1.167	1.837
Desjardins RI Canada Multifactor - Low CO2 ETF	—	—	—	0.003	0.038	1.483	1.409
iShares ESG Aware MSCI Canada Index ETF	—	—	—	—	0.119	0.353	0.561
iShares Jantzi Social Index ETF	0.115	0.173	0.319	0.498	0.796	0.447	0.489
Total	**5.821**	**5.554**	**5.876**	**9.372**	**10.169**	**9.121**	**9.681**

(Rao. 2021. Source: S&P Capital IQ)

Table 9. Total shares (in MM) held by the non-ESG funds in the Top 18 Alberta energy companies.

non-ESG Funds	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
RBC Canadian Dividend Fund	84.349	82.296	78.418	80.329	80.348	72.569	72.729
Scotia Canadian Dividend Fund	19.174	16.473	20.652	29.348	33.557	34.063	33.497
iShares S&P/TSX 60 Index ETF	60.300	59.569	54.338	50.397	36.962	36.743	39.204
iShares Core S&P/TSX capped composite index ETF	9.481	11.724	18.147	21.001	25.636	29.839	34.701
Fidelity Canadian Growth Company Fund	3.213	0.000	11.169	4.267	3.321	6.971	28.621
TD Dividend growth Fund	22.768	26.938	34.121	32.264	37.768	32.381	38.245
Manulife Dividend Income Fund	0.528	2.075	5.222	3.721	0.379	0.000	0.000
BMO Dividend Fund	19.925	16.909	18.689	17.103	14.984	11.293	11.190
BMO S&P/TSX capped composite ETF	5.322	7.687	14.295	20.303	17.737	19.255	25.669
Beutel Goodman Canadian Equity Fund	20.176	21.499	16.291	15.259	18.988	7.389	10.813
Total	**245.235**	**245.171**	**271.343**	**273.992**	**269.682**	**250.503**	**294.670**

(Rao. 2021. Source: S&P Capital IQ)

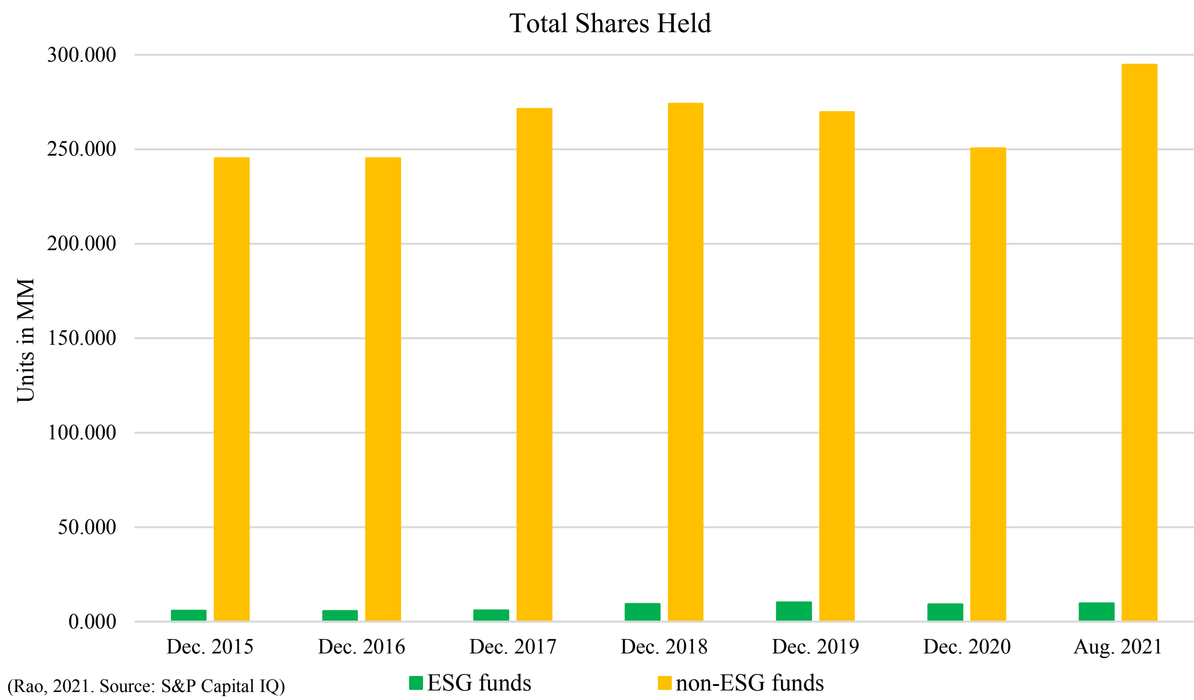


Figure 12. Total shares held by the two retail fund segment in the Top 18 Alberta energy companies.

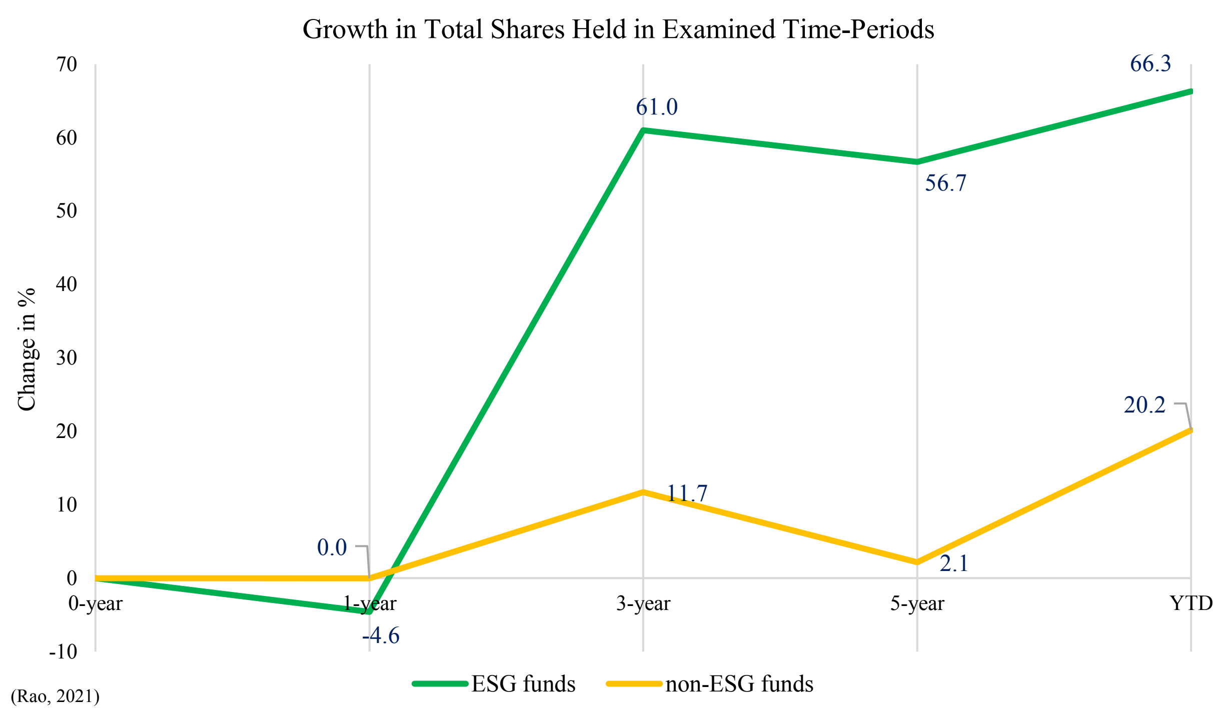


Figure 13. Change of total shares held by the ESG and non-ESG funds in the Top 18 Alberta energy companies.

Corporate ESG Ratings Vs. Inclusion

Table 10. below lists historical overall ESG scores given by S&P Global Ratings for each of the Top 18 Alberta energy companies, from the highest to lowest. Ranked climate ESG scores is in Table 11. Their respective number of times been included in the ESG and non-ESG funds are provided in Appendix D1.

Table 10. Historical overall ESG scores of the Top 18 Alberta energy companies.

Corporate ESG Ratings (Overall/100)							
Energy Companies	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Average**
TC Energy	/	70	69	62	60	53	63
Suncor Energy	/	63	55	61	59	65	61
Enbridge	/	70	62	51	42	54	56
Cenovus Energy	/	67	65	56	33	56	55
ARC Resources	/	41	44	38	35	45	41
Crescent Point Energy	/	38	36	35	40	45	39
Canadian Natural Resources Limited	/	40	39	32	29	29	34
Gibson Energy	/	-	-	-	11	55	33
Imperial Oil Limited	/	38	36	28	26	35	33
Parex Resources	/	-	-	-	16	49	33
Keyera	/	28	29	14	44	47	32
Pembina Pipeline	/	31	32	22	28	40	31
PrairieSky Royalty	/	21	21	19	22	63	29
MEG Energy	/	28	25	22	15	54	29
Tourmaline Oil	/	23	23	26	20	40	26
Parkland	/	-	-	-	10	11	11
Inter Pipeline	/	-	-	-	-	-	-
Whitecap Resource	/	-	-	-	-	-	-

Note “/” indicates no available data was given; “-“ indicates rating was unavailable.

(Rao. 2021. Source: S&P Global)

Table 11. Historical ESG-climate scores of the Top 18 Alberta energy companies.

Corporate Climate ESG Ratings (climate/100)							
Energy Companies	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Average**
Suncor Energy	/	82	68	96	96	96	88
TC Energy	/	83	68	70	70	55	69
Cenovus Energy	/	87	77	72	0	62	60
ARC Resources	/	76	62	48	48	53	57
Enbridge	/	60	49	37	47	52	49
Gibson Energy	/	-	-	-	0	88	44
Keyera	/	56	67	0	31	54	42
Canadian Natural Resources Limited	/	47	53	27	37	43	41
Crescent Point Energy	/	20	14	36	36	49	31
Imperial Oil Limited	/	49	47	20	0	34	30
Tourmaline Oil	/	0	0	0	37	55	18
MEG Energy	/	0	0	0	0	86	17
Parex Resources	/	-	-	-	15	12	14
PrairieSky Royalty	/	0	0	0	0	53	11
Pembina Pipeline	/	0	0	0	0	0	0
Parkland	/	-	-	-	0	0	0
Inter Pipeline	/	-	-	-	-	-	-
Whitecap Resource	/	-	-	-	-	-	-

Note “/” indicates no available data was given; “-” indicates rating was unavailable. “0” indicates either no disclosure or incomplete information for rating for that corresponding year.

(Rao. 2021. Source: S&P Global)

Both tables share the exact same Alberta energy companies in the Top 5 ranking, namely Enbridge, TC Energy, Suncor, Cenovus, and ARC Resources. Together it suggests that high climate ESG scores most likely will result in better overall ESG scores for energy companies. Also, these companies are tracked to see whether they are included in the ESG funds more frequently than others. However, corporate high overall ESG scores shows no direct relation with the number of times it has been included in the ESG funds, as reflected in the Table 12. While the number of times these companies have been included in the non-ESG funds is more frequent, the segment tends to include energy companies that have larger market capitalization.

Table 12. Ranked number of times the Top 18 Alberta energy companies have been included in the ESG and non-ESG Funds.

Number of Times Included in the ESG funds			**Number of Times Included in the non-ESG funds**	
Energy Companies	**Average**		**Average**	**Energy Companies**
Suncor Energy	6		8	Canadian Natural Resources Limited
ARC Resources	6		8	Suncor Energy
Cenovus Energy	5		8	Enbridge
Keyera	5		7	Pembina Pipeline
Canadian Natural Resources Limited	4		7	TC Energy
Pembina Pipeline	4		6	Cenovus Energy
Imperial Oil Limited	3		6	Imperial Oil Limited
Enbridge	3	**More Frequent to Less Frequent**	5	ARC Resources
Tourmaline Oil	2		5	Inter Pipeline
Gibson Energy	2		4	Keyera
TC Energy	2		4	PrairieSky Royalty
PrairieSky Royalty	2		4	Crescent Point Energy
Whitecap Resource	1		3	Parkland
Parkland	1		3	Whitecap Resource
Inter Pipeline	1		2	Gibson Energy
Crescent Point Energy	1		2	Tourmaline Oil
MEG Energy	1		2	MEG Energy
Parex Resources	1		2	Parex Resources

(Rao. 2021. Source: S&P Capital IQ)

After plotting the number of times individual Alberta energy companies have been included in the ESG and non-ESG funds along with their corporate overall ESG scores in the last 5 years (see Appendix D2 – D4 for details), the analysis suggests the followings:

- No commonly shared trend can be identified between the number of times each of the Top 18 Alberta energy companies have been included in the ESG funds and non-ESG funds.
- No direct correlation can be concluded for inclusion of energy companies in the ESG funds nor non-ESG funds to their overall ESG scores.
- Three groups are identified based on the relation of corporate overall ESG scores to the number of times these companies have been included in the ESG funds:
    - Appendix D2 – Corporate ESG Scores Vs. Inclusions Group A – the number of times has been included in the ESG funds increases while overall ESG scores decreases, such as Enbridge.

- Appendix D3 – Corporate ESG Scores Vs. Inclusions Group B – the number of times has been included in the ESG funds remains steady while overall ESG scores fluctuate at the same level, such as Suncor.
- Appendix D4 – Corporate ESG Scores Vs. Inclusions Group C – the number of times has been included in the ESG funds remains steady while overall ESG scores increases, such as Keyera.

- No relation can be drawn between individual companies in each group category to their respective market capitalization ranking suggested by S&P Capital IQ.

Relationship Between ESG-related Shareholder Resolutions and Corporate ESG Ratings

Figure 14 indicates that a total of 10 ESG-related shareholder resolutions were filed and voted on the Top 18 Alberta energy companies in the last five years. Only five Alberta energy companies – namely Enbridge, TC Energy, Suncor, Imperial Oil, and Cenovus – are voted on out of the 18 companies. Among them, governance and climate change are the two topics that concern shareholders the most. Three climate change shareholder resolutions were filed and voted on TC Energy, Suncor, and Cenovus each in 2018, 2016, and 2019, respectively (See Appendix E1 for summarized details).

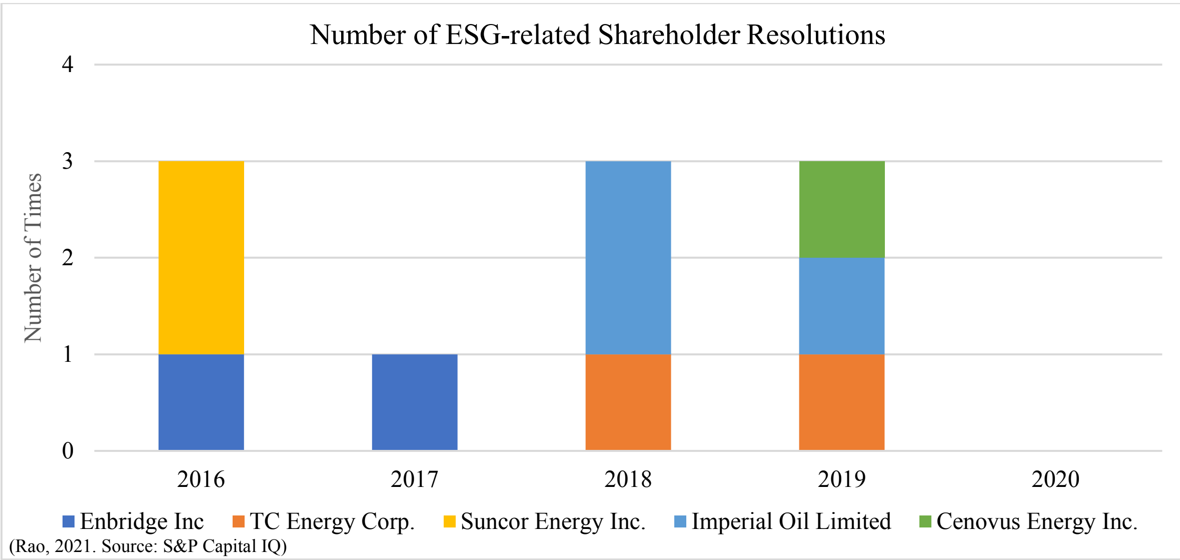


Figure 14. Number of ESG-related shareholder resolutions for energy companies that were filed and voted on.

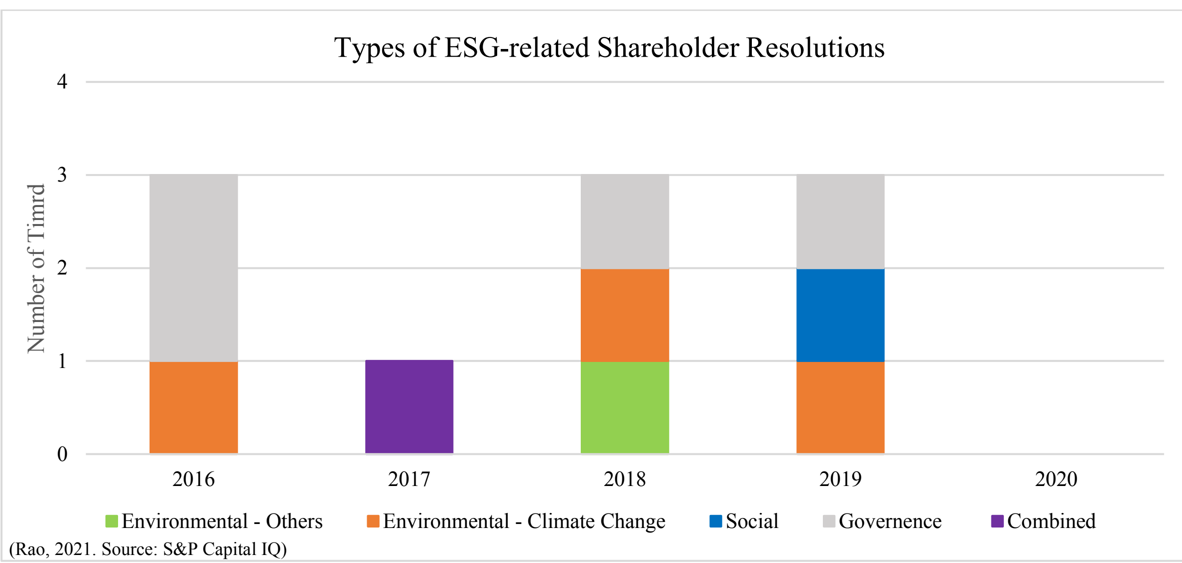


Figure 15. Types of ESG-related shareholder resolutions filed and voted on.

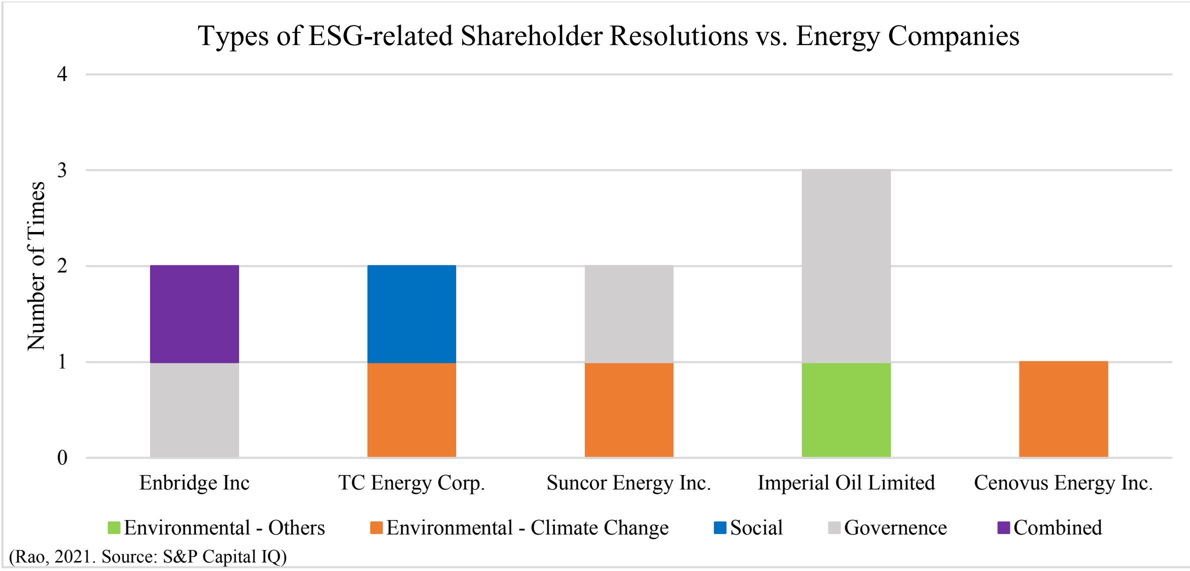


Figure 16. Types of ESG-related shareholder resolutions that energy companies that were filed and voted on.

No direct relationship is suggested by comparing the numbers of ESG-related shareholder resolutions filed and voted on the five Alberta energy companies with their corporate overall ESG scores. This affect can also be observed between climate change shareholder resolutions and climate ESG scores. The analysis of proxy voting results on ESG-related shareholder resolutions (see Appendix E2) suggest that the outcome of shareholder resolutions voting evidently follows companies' recommendations. Some AMs do vote against company recommendation in accordance with a firms' perspective on certain issues. Climate change shareholder resolutions field and voted on Alberta energy companies are often supported by the companies themselves and significantly supported by AMs. Corporations, such as Imperial Oil, that have notorious ESG reputations worse than their industry peers would likely face more rejections among investment managers.

Discussion

Summary

ESG and Energy Sector funds are much smaller retail fund segments in comparison to non-ESG funds in terms of AUM. Based on the analyses done on the growth in AUM between December 2015 to December 2020, it can be summarized that within the three retail fund segments, the overall annual growth trend in each segment at fund of funds allocations and retail-facing levels are similar. Specifically, the Energy Sector funds demonstrates the exact same growth rate because these energy sector funds are not contained in any fund of funds due to the nature of this segment, the non-ESG funds shares close growth in percentage, and the ESG funds shows higher growth rate at the fund of funds allocations than retail-facing level.

Since 2019, the growth rate of the ESG funds is significantly faster than in previous years which could be influenced by increasing societal demand for sustainable investing and the recent fossil fuel divestment campaigns aimed at addressing climate crisis (Halcoussis & Lowenberg, 2019; Hunt & Weber, 2019; Muñoz, 2021). Over the last five years, based on the trailing growth analysis, the ESG funds have become the fastest growing (180.7% increase) retail fund segment compared to the non-ESG (85.3%) and Energy Sector funds (27.9%) at the fund of funds allocations – industry level – as AMs actively increase or decrease allocations due to constantly changing market and economic conditions. ESG funds are actively managed by AMs and more assets are accumulated in ESG funds from fund of funds, or private investors, at a faster rate than from the public at retail level. It also implies that ESG funds are prevalently considered to be a part of a broad diversification strategy in the investment industry, and AMs heavily promote the segment to attract more investment (Schanzenbach & Sitkoff, 2020).

However, over the last five years, the non-ESG funds is the fastest growing (86.8% increase) retail fund segment compared to the ESG (83.1%) and Energy Sector funds (27.9%) at retail level, as public investors invest in ESG funds to reflect the needs of being environmentally and socially responsible at both corporate and individual levels (Hunt & Weber, 2019; Muñoz, 2021). A potential explanation for this trend could be investors diversifying their portfolios by investing in prevailing retail fund segment – ESG funds which is attributed to public interest, and non ESG funds are then viewed as a well established retail fund segment that balances risks and ensures promising returns (Schanzenbach & Sitkoff, 2020). On the other hand, the Energy Sector funds shows a substantial decline in growth over the last five years, but the segment has bounced back up quickly since 2019.

Between the period of December 2020 to August 2021, it is suggested that all three retail fund segments are currently experiencing rapid growth. The Energy Sector funds segment is currently experiencing a considerable increase in growth starting off in 2021. This sudden jump indicates that the public – more comprised of conventional or value investors – has heavily invested in the Energy Sector funds in 2021 (up to August 2021) such that it permits the Energy Sector funds to have a considerable leap in first half of 2021. In a report published by the Business School of Oxford University by Ansar et al., in 2014, it points out that the amount of capital that can be divested away from the industry is rather small such that the impacts on energy companies are limited (Bergman, 2018), which still leaves opportunities for value investors. However, based on the empirical analysis from Figure 5 to 8, an overall trend of high growth in AUM (YTD period) continuous with a prediction that the ESG funds are going to outperform the other two segments at retail level by the end of 2021 (comparing to the data point of December 2015) is observed, apart from the segment already outperforms the other two segments with a substantial lead at industry level.

Based on the analyses done on constituents in the ESG and non-ESG funds, the segment of ESG funds does include Alberta energy companies but the averaged number is slightly less than that of non-ESG funds, and it reflects the need of divesting from energy sector. Averaged number of annual inclusions of companies in both segments show no huge fluctuations but rather remain constant. The numbers of the Top 18 Alberta energy companies have been included in the ESG funds show no common trend among the identified individual funds, but the non-ESG funds tend to maintain their number of energy companies included. Some ESG funds within the segment gradually exclude energy companies over time or completely screen out energy companies from the very beginning. It is noteworthy that motivations behind individual funds' creation and selection of constituents are mainly driven by AMs, as per objectives and investment strategies utilized as well as various conditions across markets, to appeal to a broader range of investors.

ESG Fund Creation

ESG funds, like any other fund segment, are not created in a homogenous process. The rise of SRI funds can be traced back to the late 1990s, and some of them gradually evolved into ESG funds (Cozic & Siddique, 2019; Schanzenbach & Sitkoff, 2020), or non-ESG funds slowly integrated ESG factors (Cozic & Siddique, 2019). Investment objectives set the foundation for an ESG fund creation by AMs followed by various categories created within the ESG segment and in fact AMs utilize different investment strategies to integrate ESG criteria into the creation process (Muñoz, 2021). Ways of collecting information on corporate environmental (E), social (S), and governance (G) issues as well as financial and security risks are also varied, such as conducting interviews.

Investment Strategies

Negative screening or positive screening are the two common practices as an investment strategy for ESG funds creation. Among all ESG funds, AMs share one universal practice, also known as investor activism in which certain industries or companies (i.e., alcohol, tobacco, weapons, gambling) are automatically excluded. These sectors are labelled as sin industries. However, the perception of "sin" changes over time to reflect the perception of the general public on certain sectors (Muñoz, 2021). In recent years, energy companies that conduct their core business directly associated with fossil fuels are labelled as "sin" or "dirty" due to the increasing climate crisis and social movement directed toward the energy sector. More in depth, in negative screening process, a defined threshold is used by AMs to compare companies against their peers in certain ESG characteristics, either in issues of environmental, social, or governance related (Halcoussis & Lowenberg, 2019; Muñoz, 2021; Robeco, n.d.-c). Companies perform below the threshold relative to their peers are screened out. Positive screening is the opposite of negative screening.

Shareholder engagement and thematic/impact investing are also the investment strategies of ESG funds. Shareholder engagement or activism is a strategy used by AMs to identify companies that have better CSR (corporate social responsibility) records or actively engage shareholders in their corporate decision-making process (Muñoz, 2021), whereas thematic/impact investing focus more on tangible and measurable positive impacts, such as renewable energy projects, made by individual corporations to the environment or society while ensuring promising financial returns (Cozic & Siddique, 2019; Muñoz, 2021; Robeco, n.d.-b). Investors who invest in these types of ESG funds are considered as impact investors whereby putting money in investees that are making actual positive environmental or social impact through measurable actions.

ESG integration investment strategy selects various sustainability information as disclosed by corporations and made publicly available, and then determines the impact and competitiveness of material factors that are financially relevant so that their values can be materialized (Robeco, n.d.-a). This type of investment strategy is more comprehensive than the others as it considers many factors at the industry and corporate levels as well as including public interest into the equation (Cozic & Siddique, 2019).

Nowadays, the majority of ESG funds incorporate multiple investment strategies concurrently to cover a wide range of ESG criteria or issues and non-financial matters to attract different types of investors (Kurtz, 2020; Muñoz, 2021; Schanzenbach & Sitkoff, 2020). Since various investment strategies are deployed to construct an ESG fund, it can be defined very differently across the investment industry depending on the specific values and interests of its clients and the AMs.

Table 13 illustrates all investment strategies incorporated in each of the Top 10 ESG funds, updated as of 2021. No universal shared investment strategies or objectives can be identified among all the Top 10 ESG funds. All the ESG funds automatically exclude the following sectors: alcohol, tobacco, cannabis, pornographic, gaming, and military weapons. Three funds – as indicated in **Error! Reference source not found.** with highlighting in red – stated that, in accordance with their prospectus, excluding corporations in the field of *"extraction, production and distribution of fossil fuels"* as one of their investment strategies. Besides investment strategies, political (e.g., governmental regulations and policies, political party), geographical (e.g., natural resources availability), and socioeconomic (e.g., energy consumptions, different markets) factors can also influence investors and AMs investment decisions (Ansar et al., 2014; Bergman, 2018; Hunt & Weber, 2019; Muñoz, 2021).

Table 13. Investment strategies implemented among the Top 10 ESG funds.

Fund Name	**Investment Strategy** (RIA, n.d.-b)[10]
Desjardins SocieTerra Canadian Equity Fund	Shareholder Resolutions, Positive Screening, Negative Screening, ESG Integration
NEI Canadian Equity RS Fund	Shareholder Resolutions, Negative Screening, ESG Integration
IG Mackenzie Summa SRI Fund	Negative Screening, ESG Integration
IA Clarington Inhance Canadian Equity SRI Class	Shareholder Resolutions, Positive Screening, Negative Screening, ESG Integration
NBI Sustainable Canadian Equity ETF	Positive Screening, Negative Screening, Thematic/Impact Investing, ESG Integration
NEI ESG Canadian Enhanced Index Fund	Shareholder Resolutions, Negative Screening, ESG Integration
RBC Vision Canadian Equity Fund	Shareholder Resolutions, Negative Screening, ESG Integration
Desjardins RI Canada Multifactor - Low CO2 ETF	Shareholder Resolutions, Negative Screening, ESG Integration
iShares ESG Aware MSCI Canada Index ETF	Negative Screening, ESG Integration
iShares Jantzi Social Index ETF	Negative Screening, ESG Integration

[10] Also reference to individual funds prospectus.

Integrating ESG in Portfolio Construction

Evaluating corporate disclosed sustainability information and relevant data along with financial materials against identified ESG factors – as the key performance indicators (KPIs) – and comparing them with industrial peers to determine a firm's inclusion is part of a fund's portfolio construction processes for AMs. ESG factors are applied across all investment strategies.

Additionally, a variety of SRI or ESG screening criteria or indices (e.g., Jantzi Social Index, MSCI Canada IMI Extended ESG Focus Index), as ESG evaluation tools, have been developed by some agencies as a segment of a financial institute (i.e., MSCI, Sustainalytics, S&P Global etc.,), utilizing a similar approach to design an ESG or sustainability rating system with their proprietary methodology, and is widely adopted among AMs and in fact AMs (e.g., RBC-GAM) also developed their own proprietary methods. Such information is provided in funds' prospectus. Similarly, in terms of ESG or sustainability related disclosure and reporting, a variety of standards (i.e., GRI, CDP, ISO, SASB) are adopted by a wide range of corporate audiences (Kurtz, 2020), and different standards are deployed depending on the types of corporate business. However, the lack of correlations and resemblances is the greatest shortcoming for such practice (Kurtz, 2020; Pfeifer et al., 2019; Schanzenbach & Sitkoff, 2020).

ESG scores provided by S&P Global Rating is adopted for the analysis on the relation between corporate ESG scores and the inclusion of energy companies in the ESG funds. Table 14 lists all ESG scores given to the Top 18 Alberta energy companies by the three providers. Based on the data collected, no similarity or resemblance can be identified across them. The standard deviations of the overall ESG scores provided by S&P Global Ratings and Sustainalytics for the companies (excluding companies with insufficient data) between 2016 to 2019 are 10.7, 11.1, 14.4, and 14.6 respectively, which indicates a significant difference between the two sets of scores provided by two different agencies. This implies that the portfolio of an ESG fund constructed by AMs with more than one ESG scores provider can produce different results. Factors in E, S, and G incorporated can be subjective and ambiguous, and is often financial materiality focused (Kurtz, 2020; Schanzenbach & Sitkoff, 2020).

Among E, S, and G, factors, from a risk-adjusted return perspective, corporate performance or firm value can be significantly affected by G factors more strongly than E and S factors. However, from a public investment perspective, E and S factors serve as proxies for investors and AMs to identify risks and poor management qualities (Schanzenbach & Sitkoff, 2020). All these factors can change as the market and social norms changes (Pfeifer et al., 2019; Schanzenbach & Sitkoff, 2020). However, incorporating ESG factors into funds creation is a quantitative measure and it is unrealistic to correlate it to actual corporate performance as well as investment returns (Dordi & Weber, 2019; Kurtz, 2020; Pfeifer et al., 2019)

Furthermore, another major shortcoming is incomplete information disclosures due to most of it being voluntary rather than a regulatory requirement (Anagnosti et al., 2020; Pfeifer et al., 2019). Insufficient and sporadic disclosure by companies results in ESG rating providers using inconsistent approaches for incorporating incomplete disclosures (Pfeifer et al., 2019). Fatigue and resource exhaustion are a concern expressed by companies, especially companies with smaller market capitalization, which could lead to incomplete or no disclosures and likely to have inferior or misjudged ESG scores (Majid & Musulin, 2020). The lack of an exhaustive list of ESG issues for all sectors and universal approach as evaluation criteria (Schanzenbach & Sitkoff, 2020) presents a diverse marketing opportunity for AMs as related to ESG funds creation (Kurtz, 2020).

Table 14. ESG scores from three different providers.

Company Name	ESG Ratings/100 (Overall - S&P Global)					ESG Ratings/100 (Overall - Sustainalytics)[11]					ESG Ratings (MSCI)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Enbridge Inc	70	62	51	42	54	68	65	63	65	-	-	-	A	A	A
TC Energy Corp.	70	69	62	60	53	66	60	57	58	-	-	BBB	BBB	BBB	BBB
Canadian Natural Resources Limited	40	39	32	29	29	63	60	65	63	-	-	B	B	B	BB
Suncor Energy Inc.	63	55	61	59	65	77	75	77	78	-	BBB	BBB	A	A	A
Imperial Oil Limited	38	36	28	26	35	67	65	65	62	-	-	BBB	BBB	BBB	BBB
Cenovus Energy Inc.	67	65	56	33	56	81	79	79	78	-	A	A	A	A	A
Pembina Pipeline Corp.	31	32	22	28	40	58	59	59	61	-	-	BBB	BBB	BBB	BBB
Tourmaline Oil Corp.	23	23	26	20	40	50	49	60	53	-	-	BBB	BBB	BBB	A
Inter Pipeline Ltd.	-	-	-	-	-	60	57	62	63	-	-	B	BB	BBB	BBB
ARC Resources Ltd.	41	44	38	35	45	63	63	66	66	-	-	AAA	AAA	AAA	AAA
Keyera Corp.	28	29	14	44	47	63	61	63	63	-	-	BBB	BBB	A	A
Parkland Corp.	-	-	-	10	11	53	57	54	56	-	-	BBB	BBB	BBB	A
Whitecap Resource Inc.	-	-	-	-	-	48	46	58	60	-	-	BBB	BBB	BBB	A
Gibson Energy Inc.	-	-	-	11	55	59	60	62	62	-	-	-	A	A	A
Crescent Point Energy Corp.	38	36	35	40	45	59	59	61	65	-	-	BBB	BBB	BBB	BBB
PrairieSky Royalty Ltd	21	21	19	22	63	53	51	52	54	-	-	A	AA	A	A
MEG Energy Corp.	28	25	22	15	54	55	61	63	63	-	-	BBB	A	A	A
Parex Resources Inc.	-	-	-	16	49	-	56	71	71	-	-	BB	BBB	BBB	BBB

Note "-" indicates rating was unavailable.

Therefore, motivations and applied investment strategies are the two main driving forces for AMs to create an ESG fund. Re-adjusting its underlying securities with integrating various ESG factors allow AMs to separate an ESG fund's uniqueness and differences from its competitors. Other factors, as mentioned above, such as political factors, also play a role. As asserted by AMs, ESG funds can be seen as either "doing the right thing" or "a risk-adjusted return financial opportunity" to investors, and these are the two main purposes behind investing in ESG funds (Schanzenbach & Sitkoff, 2020). "Doing the right thing yet securing a maximum risk-adjusted return" can be observed among all creations of ESG funds by AMs.

[11] Sustainalytics modified their corporate ESG rating to ESG Risk rating in 2020.

Inclusion of Energy Sector

The energy sector allocations in both ESG and non-ESG retail fund segments drop over the last five years and show no significant difference in between according to the Figure 9 & 10. A few variables could influence the change: 1) the number of energy companies included, 2) total shares held in energy companies, 3) market value of individual energy companies, 4) total number of the fund's holdings, and 5) the market value of other included industries. Shares in Alberta energy companies held by the ESG funds are insignificant in comparison to the non-ESG funds as indicated in Figure 12. Over the last five years, both retail fund segments increase their total shares held in the Top 18 Alberta energy companies, and the growth in ESG funds outpace non-ESG funds.

The energy sector funds segment tends to resemble the ups and downs of the energy sector based on change in the sector value. S&P/TSX Composite Index Energy contains 23 Canadian energy companies, 87% of the index represents the Top 18 Alberta energy companies targeted in this research. The trailing growth of AUM of the Energy Sector funds in examined time periods is plotted against the index value of S&P/TSX Composite Index Energy as well as historical averaged stock price of the Top 18 Alberta energy companies, as shown in Figure 17. It suggests that the Top 18 Alberta energy companies together drives the index value, and the AUM of the Energy Sector funds is mostly determined by the value of the energy sector. This effect is also demonstrated in the energy sector allocations in the ESG and non-ESG funds, as shown in Figure 18.

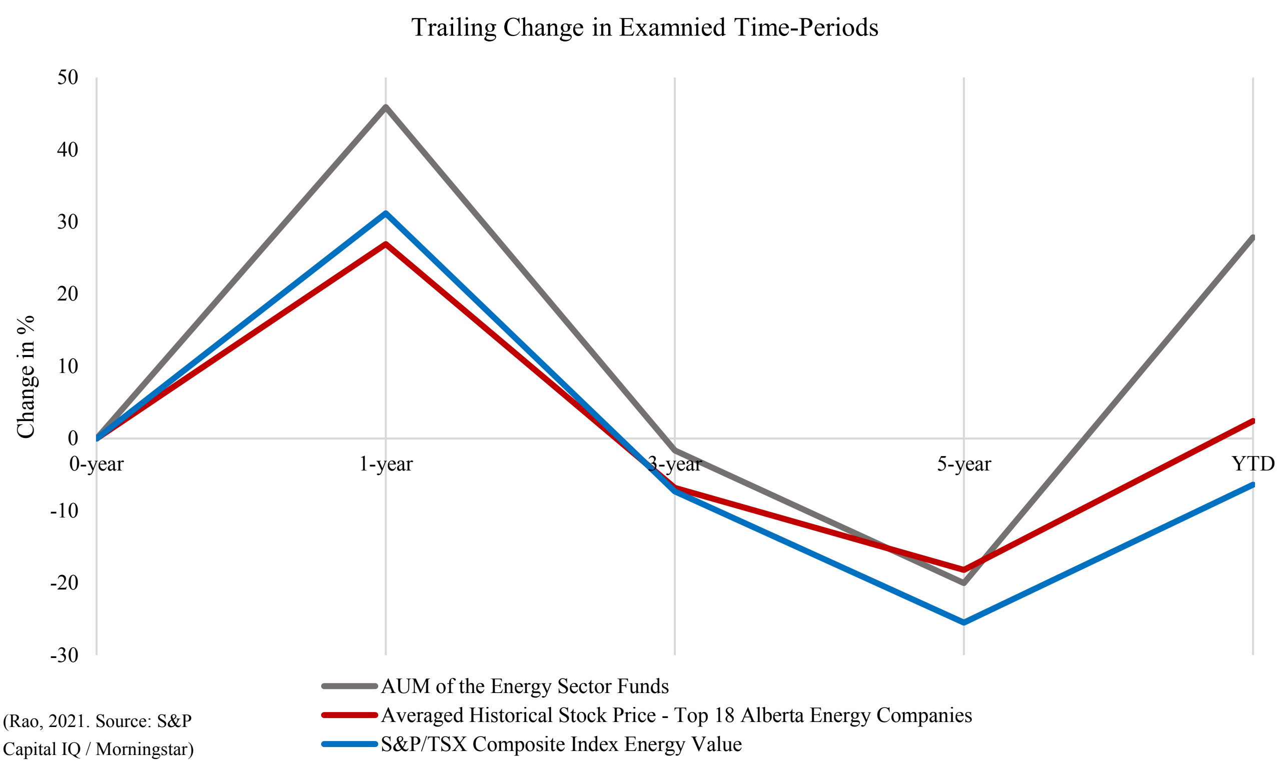


Figure 17. Influence of the value of the energy sector on the energy sector funds.

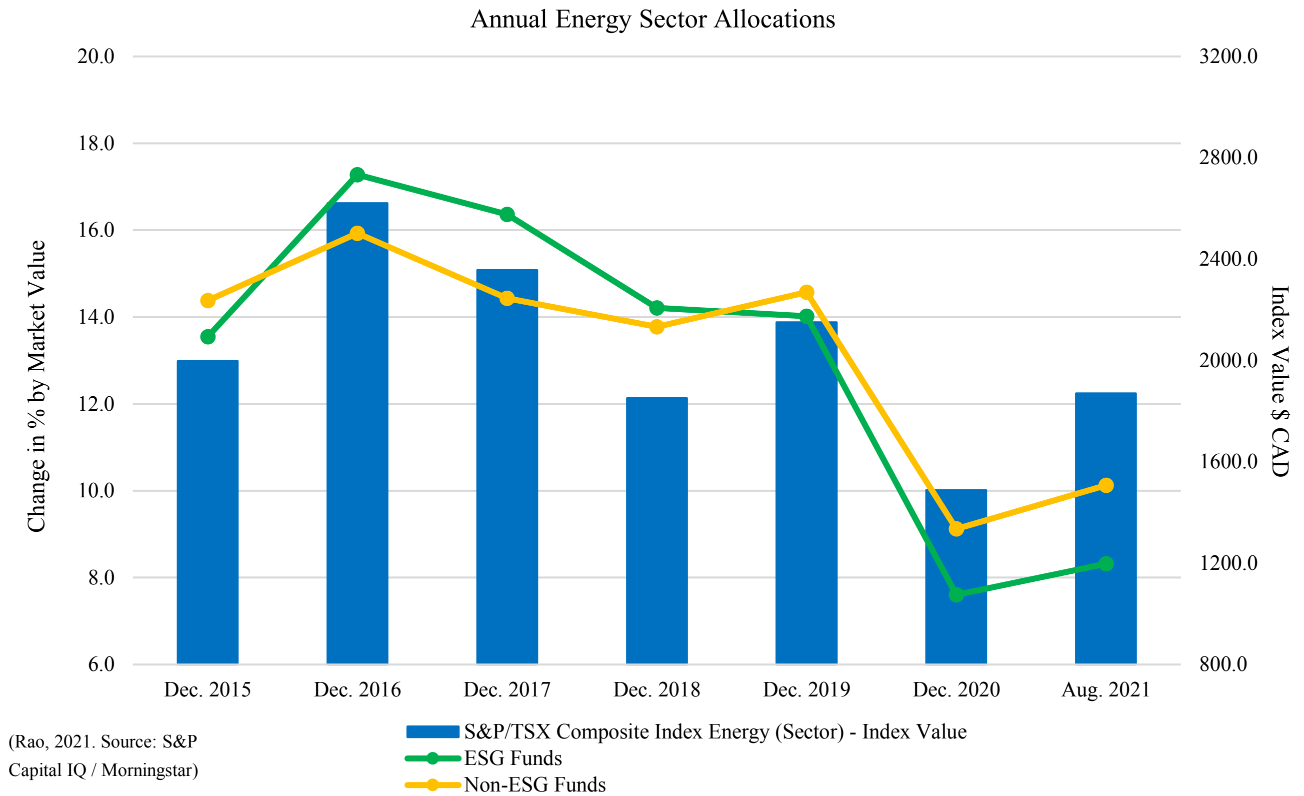


Figure 18. The influence of the value of the energy sector in the ESG and non-ESG funds.

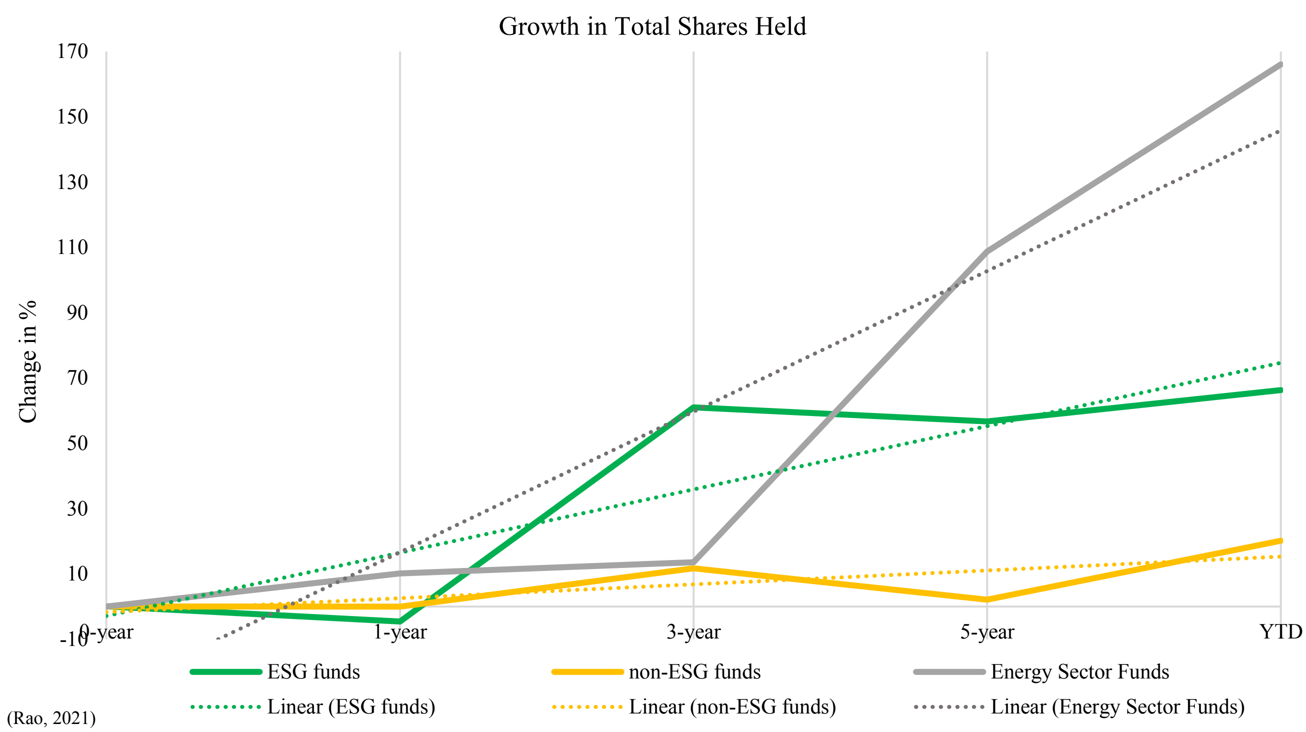


Figure 19. Growth in total shares held by the three retail fund segments of the Top 18 Alberta energy companies.

Divesting from fossil fuels emphasizes on excluding the energy sector from investment funds as a direct measure required of institutional investors. However, by including the energy sector, AMs increase or decrease assets allocations in energy companies in accordance with the market, political, and economic conditions of the energy sector (Halcoussis &

Lowenberg, 2019), such as share allocations shown in Figure 18. The phenomenon in Figure 19 is foreseeable since the non-ESG funds segment normally holds significantly more shares in energy companies than the ESG funds segment. Hence, a small change in numbers can result a greater percentage in contrast to the non-ESG funds segment as the basis for comparison is smaller. Also, popular indices (such as S&P/TSX Composite Index for Canadian market, and the S&P 500 for US. Market) are used by AMs to replicate or cross reference certain sectors or company inclusions and secure superior growth while reducing volatility and maintain diversification (Halcoussis & Lowenberg, 2019). Similar investment behaviours or strategies are stated in funds' prospectus (refer to Appendix B for the source of each fund's prospectus). AMs execute these investment behaviours more frequently on active than passive funds in an effort to maximize returns. Nevertheless, the price of individual securities in an industry or their corporate financial performance plays an important role in shares allocations within the industry (Halcoussis & Lowenberg, 2019; Hunt & Weber, 2019).

Table 15. Annual growth rate of AUM of Energy sector inclusion funds vs. less energy sector inclusion funds within the Top 10 ESG funds.

Fund Name		**Dec. 2015**	**Dec. 2016**	**Dec. 2017**	**Dec. 2018**	**Dec. 2019**	**Dec. 2020**	**Aug. 2021**
Example of excluding energy companies gradually – IA Clarington Inhance Canadian Equity SRI Class	SA View	Ref. point (0.00%)	-3.19%	37.52%	52.30%			
						Ref. point (0.00%) Exclusionary	53.70%	140.00%
	FA View	Ref. point (0.00%)	-36.07%	3.67%	21.23%			
						Ref. point (0.00%) Exclusionary	64.54%	153.97%
Example of excluding energy companies as an investment strategy – NBI Sustainable Canadian Equity ETF	SA/FA View						Ref. point (0.00%) Inception	5,379.23%
Example of excluding high carbon intensity energy companies – Desjardins RI Canada Multifactor – Low CO2 ETF	SA/FA View				Ref. point (0.00%) Inception	471.05%	13,891.01%	16,540.48%
The other ESG funds	FA View	Ref. point (0.00%)	6.95%	12.59%	-1.55%	9.39%	1.26%	22.38%
	SA View	Ref. point (0.00%)	13.98%	-4.27%	-10.01%	1.69%	-2.04%	41.61%

(Note that percentages are calculated against respective reference points. Red-highlighted numbers indicate superior growth rate in AUM.)

On the other hand, some ESG funds re-adjust their investment strategies in an attempt to appeal to more diverse investors over time, and other industries included simply outperform the energy sector (Halcoussis & Lowenberg, 2019; Muñoz, 2021) – apart from the abilities and skills AMs possess (Halcoussis & Lowenberg, 2019) – which ultimately contribute to the speedy growth in the total assets of the segment. ESG funds with no energy sector inclusion or containing energy companies that have low carbon intensity demonstrate a superior growth rate in AUM over others, as illustrated in Table 15. Although the sample size for current research is insufficient to be able to prove this observation, some studies suggest that ESG funds committed to divesting from fossil fuels do not show impaired performance but rather benefits financially due to the underperformance of energy stocks (Halcoussis & Lowenberg, 2019; Hunt & Weber, 2019; Muñoz, 2021;

Trinks et al., 2017), which implies that investors invest much more in these types of ESG funds over others to drive the funds financial performance. And this kind of change within ESG funds is occurring.

Interestingly, although the energy sector is currently undergoing a transitioning period and governments are committed to reducing emission and achieving net-zero by 2050, finding an alternative clean pathway to revaluing the fossil fuel industry is a never-ending endeavour. The effect of sustainable or responsible investing on emerging energy systems from the energy sector is unknown (Dordi & Weber, 2019). For instance, the decarbonization potential of hydrogen has been recognized by many nations and renewed by both at government and industry levels with significant interest among other alternatives, as a crucial component in the battle against climate change and in achieving a net-zero society. Deriving from fossil fuels – mainly natural gas – is the primarily hydrogen production method. Blue Hydrogen – hydrogen produced from natural gas with a CCUS integrated energy system – is acknowledged by both the Alberta government and NRCan as the hydrogen production pathway in helping Canada to achieve net-zero (Rao, 2021). With this promising future alternative energy system envisaged by governments and the energy sector, it could trigger waves of investing back into the energy sector among sustainable or responsible investors, and in turn, the investment industry or AMs would likely re-evaluate the sector and remodify ESG factors as well as the integration processes of ESG fund creation. This foreseeable future event could in part explain why AMs keep the energy sector in their investment funds and purchase more shares, despite underperformance of the sector.

Therefore, although total shares of the Top 18 Alberta energy companies have increased over the last five years held by the ESG funds, the overall energy sector allocations by market value decreases, and some funds either exclude the energy sector over time or no inclusion of energy companies during the study period, while the total asset value of the segment escalates. This trend could indicate that, under the current context of the general public pressuring institutional investors to divest the fossil fuels industry, the Alberta energy sector is still a valuable sector for the Canadian investment industry in seeking as much returns as possible by exposing to systematic risks factors (Bergman, 2018; Halcoussis & Lowenberg, 2019; Trinks et al., 2017) as the fiduciary duty of AMs (Halcoussis & Lowenberg, 2019; Hunt & Weber, 2019; Schanzenbach & Sitkoff, 2020). It is possible that AMs allocate assets to purchase more shares in companies that have large market capitalization (Halcoussis & Lowenberg, 2019; Hunt & Weber, 2019), or divesting low ESG performing companies within the sector (Hunt & Weber, 2019; Trinks et al., 2017) and reinvesting in the renewable sector or energy companies (e.g., Suncor) that are making notable efforts in energy transitioning (Bergman, 2018), whereby reducing the number of inclusions of energy companies (Muñoz, 2021) and increasing the number of ESG funds (Dordi & Weber, 2019; Schanzenbach & Sitkoff, 2020), as alternatives in response to fossil fuel divestment.

Influence of Shareholder Resolutions in Investment

As a shareholder, AMs can demonstrate their shareholder rights to influence corporate behaviours and seek better corporate policies and decisions to allow them to gain higher or at least maintain investment returns. This is also known as shareholder activism. There are five forms involved in shareholder activism, namely shareholder resolution, proxy fights, publicity campaigns, negotiations, and litigations (CFI, n.d.) with shareholder resolution as the most common form.

Shareholder resolutions on ESG-related issues have increased substantially over the past decade. ESG shareholder resolutions filed and voted on Canadian energy companies are a tiny reflection in comparison to that of American energy companies. Although only 4 out of the Top 10 AMs' proxy voting records were able to be tracked publicly for this research, some American proxy voting research institutes such as ProQuest claims that AMs have increased their support of ESG-related shareholder resolutions (i.e., climate shareholder proposals) since 2018 (Gomtsian, 2020; Handy & Romanek, 2021; Napach, 2020; Papadopoulos, 2019). And it is likely to have influenced corporate managerial decision-making and behaviours towards sustainability (Johnson et al., 2019; Schanzenbach & Sitkoff, 2020). Shareholder resolution is the best platform to engage shareholders and showcase rising marginal issues that will eventually become central to operations (Napach, 2020; Papadopoulos, 2019; Raghupathi et al., 2020).

Voting recommendations are made based on the best interest of corporations and suggested to shareholders at annual resolution proxy voting. AMs can either vote in considering for or against company recommendations.

In recent years, AMs have developed their own proxy voting guidelines that incorporate ESG factors in response to ESG-related resolutions, such as RBC Global Asset Management (acquired Blackrock Canada division). AMs often take company recommendation into consideration while going against their own ESG-factor integrated proxy voting guidelines to reach a decision that best represents their clients' investment interests (Johnson et al., 2019). As per analyses done in this research, the majority of shareholders vote with the company recommendation. This is partially because shareholders do not have the expertise and incentives to make managerial decisions for their investee (Gomtsian, 2020). Also, it is unwise for shareholders to attempt to fight for having their voice heard due to underlying limitations – a tremendous effort for little potential impact (Schanzenbach & Sitkoff, 2020). In other words, collective action is needed but the existence of free-will posits challenges against this. As a traditional investment vehicle – having investment funds invested in corporations, AMs acknowledge the potential consequences of fighting against investees, especially large corporations, which could either improve or decrease corporate value but with a huge financial loss at active AMs' own costs (Schanzenbach & Sitkoff, 2020).

Nevertheless, this passive attitude is possibly going to change among AMs in the next a few years suggested by many proxy voting research institutes, such as ISS Voting Analytics. Blackrock and State Street Global Advisor, as well as other influential AMs, state that they will be more assertive on their votes against corporations that are not making enough efforts and falling behind their peers on disclosures of ESG issues (Handy & Romanek, 2021; Napach, 2020). ESG issues are often linked to financial materiality, and how firms translate their own ESG issues into value-added financial material initiatives implies the overall described quality of executive management to investors and AMs (Johnson et al., 2019). A future trend of supporting ESG-related shareholder resolutions among AMs will be led by the largest AMs, such as Blackrock (Handy & Romanek, 2021). Also, shareholders request to vote against individual corporate directors who do not participate in or advocate for finding solutions to mitigate climate crisis is an emerging trend (ESG Roundup, 2021). Give these trends, AMs can start taking the lead to hold corporations accountable and secure investor interests and improve shareholder value and investment returns.

Conclusions

The empirical analyses suggest that, over the last five years the Canadian equity or focused ESG retail fund segment is the fastest growing in comparison to the non-ESG and Energy Sector funds at the industry level (fund of fund allocations). The non-ESG retail fund segment remains as a conventional investment choice for investors at the retail level, and the Energy Sector retail fund segment is unsurprisingly volatile. Nevertheless, with the ESG funds segment is currently experiencing rapid growth, it is expected that ESG funds segment would surpass the other two segments in 2021 at the retail level as well.

On the other hand, ESG funds do contain Alberta energy companies, and the averaged number of inclusions is slightly less than non-ESG funds. Both segments' energy sector allocations decreased over the last five years. However, not all ESG funds contain Alberta energy companies or Canadian energy companies in general (e.g., funds red highlighted in Table 4) – as they gradually or completely exclude energy companies in general as an investment strategy – and these funds seem to illustrate superior growth in AUM, which implies that these type of ESG funds would likely attract more investors than other funds. This kind of change within ESG funds is fundamentally occurring.

The reasons behind heterogenetic ESG funds' characteristics are indicated by further analyses, that ESG funds are created upon AMs' investment objectives and through various investment techniques along with utilizing a wide range of ESG factors in an attempt to appeal to a larger group of investors, and Alberta energy companies are still perceived as valuable securities for risk-adjusted investments. AMs exercise their fiduciary duties to allocate assets in accordance with the sector's market and economic conditions along with many other factors while applying various investment strategies to maximize investment returns. Instead of divesting from the fossil fuel industry, the majority of AMs choose to divest and reinvest in companies that demonstrate better ESG performance in numerous ESG issues to gain better risk-adjusted returns. "Doing the right thing yet securing maximum risk-adjusted returns" is the shared common practice among AMs.

At last, the identified Alberta energy companies' corporate ESG scores are also assessed to seek possible relations with the number of times the companies have been included in the ESG funds. However, based on current research, no clear relation is observed. Scores provided by agencies are subjective and have no correlations. In addition to corporate ESG scores, ESG-related shareholder resolutions filed and voted on the Top 18 Alberta energy companies in the last five years are also tracked. Again, based on current research, it suggests no direct relation between the number of resolutions and overall corporate ESG scores, which could also suggest that shareholder resolutions marginally influence corporate overall ESG scores as rated by agencies. However, as many research with a focus on the US. Market suggests that the number of ESG related shareholder resolutions are increasing, and AMs are actively participating in shareholder activism to advocate for investors investment interests and improve value returns, and that influence in investment is expected to be impactful in the near future.

Limitations & Future Studies

There are three main limitations to this research. Firstly, the time frame of this study is too short to determine a solid social trend. Sustainable or responsible investing, as well as the total number of Canadian ESG funds segment, have started experiencing relatively high growth since 2018. Furthermore, the Covid 19 pandemic has had a macro-economic influence on all fronts of our daily life at a global scale in 2020. However, the positive growth trends in AUM of the ESG funds segment is continuous and growing rapidly. It would be beneficial to conduct a similar study again over the next three or five more years to observe a longer trend (Dordi & Weber, 2019; Trinks et al., 2017). Secondly, the Canadian energy sector is the main subject in this study. The Canadian utility sector[12] allocations and companies' inclusions, particularly the renewable energy industry, can be an important indication of investors interests towards divesting fossil fuel and addressing the climate crisis. Lastly, corporate ESG scores as well as proxy voting records among AMs in the last five years are insufficient for the research due to limitations in data availability and accessibility. They can not determine whether having shareholder resolutions filed and voted on directly affect the company's ESG scores in the following years, either as an increase or decrease, as well as the inclusion frequency in the ESG funds and the total shares purchased by AMs. Nevertheless, many other possible future studies could extend this research.

Fund creation is driven by individual objectives and AMs motivations – not only in meeting the public demand but also achieving financial goals – in an attempt to appeal to a broader range of investors and attract more businesses. Thus, research topics on ESG funds creation by utilizing multiple investment strategies and incorporating various ESG factors among AMs will be intriguing to many. For example, studies like these could categorize ESG funds into several types, based on investment strategies or ESG factors used, to examine their performance and investment returns. They could also suggest investment interests – whether to invest in ESG funds in general or to invest more towards energy sector excluded funds – among investors as well as AMs – and whether to create more ESG funds with or without energy companies included.

Furthermore, with the aforementioned shareholder activism movement against corporations within the investment industry led by major AMs, future studies could track these AMs historical proxy voting records within at least a ten-year period to seek empirical evidence. This movement could affect the decision-making of inclusion of individual Alberta energy companies among major AMs, and their influence on other relatively small AMs (Bergman, 2018; Hunt & Weber, 2019).

[12] Utility Sector includes renewable energy companies and power generation companies in investment industry.

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Appendix A - Ownership of Identified Asset Managers Among the Identified Alberta Energy Companies as of Sep. 28, 2021

The Top 10 Asset Managers Own and Invest in the Top 18 TSX Listed Alberta Energy Companies as of Sep. 28, 2021										
Energy Companies (Symbols)	**Asset Managers**									
	BMO-GAM[13]	RBC-GAM	TD-AM[14]	The Vanguard Group	CIBC-AM	Mackenzie Financial Corp.	Dimensional Fund Advisors L.P.	FMR LLC	1832 Asset Management L.P.	Manulife Investment Management
ENB	✓	✓	✓	✓	✓	✓		✓	✓	✓
TRP	✓	✓	✓	✓	✓	✓			✓	✓
CNQ	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SU	✓	✓	✓	✓	✓	✓		✓	✓	✓
IMO	✓	✓	✓	✓			✓	✓		✓
CVE	✓	✓	✓	✓	✓	✓		✓	✓	✓
PPL	✓	✓	✓	✓	✓	✓				✓
TOU	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IPL	✓	✓	✓	✓	✓		✓			
ARX	✓	✓	✓	✓		✓	✓		✓	
KEY	✓	✓	✓	✓	✓	✓	✓			
PKI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
WCP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GEI	✓	✓	✓	✓	✓		✓	✓	✓	✓
CPG	✓	✓	✓	✓	✓		✓			✓
PSK	✓	✓	✓	✓		✓	✓	✓	✓	
MEG	✓	✓	✓	✓	✓	✓	✓	✓	✓	
PXT	✓	✓	✓	✓	✓	✓	✓	✓		
Total Count	**18**	**18**	**18**	**18**	**14**	**14**	**13**	**12**	**12**	**11**

Note: Green filled cell indicates the asset manager is accounted as one of the top 10 investment managers own shares and invest in the respective Alberta energy company as of Sep. 28, 2021, and vice versa for white filled cell but own share and invest in the company.

(Rao, 2021. Source: S&P Capital IQ)

[13] GAM is the acronym of Global Asset Management

[14] AM is the acronym of Asset Management

Appendix B - Selected Retail Information on Identified ESG, non-ESG, and Energy Sector Funds

The Top 10 Canadian Equity/Focused ESG Funds (MFs & ETFs)							
Rank	AUM (MM)* SA View	Fund Name	Fund Code/Ticker	Canadian Equity/Focused	Issuer	Source	Inception Date
1	1,192.9	Desjardins SocieTerra Canadian Equity Fund	DJT00165	Canadian Equity	Desjardins Group	Prospectus, p. 105[15]	Nov. 2017
2	791.9	NEI Canadian Equity RS Fund	F0CAN06XXI	Canadian Equity	NEI Investment	Prospectus, p. 75[16]	Sep. 2002
3	377.6	IG Mackenzie Summa SRI Fund	CCM5005	Canadian Focused	IG Wealth Management	prospectus p. 108[17]	Jul. 2003
4	371.6	IA Clarington Inhance Canadian Equity SRI Class	CCM5005	Canadian Equity	IA Clarington Investments	prospectus p. 201[18]	Dec. 2009
5	339.9	NBI Sustainable Canadian Equity ETF	NSCE	Canadian Equity	National Bank Investments	Prospectus p. 27[19]	Mar. 2020
6	302.9	NEI ESG Canadian Enhanced Index Fund	NWT103	Canadian Equity	NEI Investment	Prospectus, p. 81[16]	Mar. 2001
7	301.3	RBC Vision Canadian Equity Fund	RBF302	Canadian Equity	RBC Global Asset Management	Prospectus, p. 430[20]	Jul. 2007
8	295.7	Desjardins RI Canada Multifactor - Low CO2 ETF	DRFC	Canadian Equity	Desjardins Group	Prospectus, p. 6[21]	Sep. 2018
9	143.5	iShares ESG Aware MSCI Canada Index ETF	XESG	Canadian Equity	Blackrock	Prospectus, p. 211[22]	Mar. 2019
10	103.1	iShares Jantzi Social Index ETF	XEN	Canadian Equity	Blackrock	Prospectus, p. 256[22]	May, 2007

* Source – SIMFund. Note that green highlights are funds that are contained in fund of funds.

(Rao, 2021)

15 https://www.fondsdesjardins.com/information/integral_pro_1_en.pdf
16 https://www.neiinvestments.com/documents/Reports/Simplified%20Prospectus%20ENG%20AODA.pdf
17 https://www.ig.ca/content/dam/investorsgroup/legacy/en/documents/corp/regulatory/prospectus-guides/c2994.pdf
18 https://iaclarington.com/docs/default-source/prospectus-aifs/sp-en.pdf?sfvrsn=97369ed3_32
19 https://www.nbinvestments.ca/content/dam/bni/en/regulatory/prospectus/prospectus-etf-2021-04.pdf
20 https://www.rbcgam.com/documents/en/other/rbc-sp-20210630.pdf
21 https://www.fondsdesjardins.com/information/fnb_integral_pro_2_en.pdf
22 https://www.blackrock.com/ca/investors/en/literature/prospectus/ishares-index-funds-prospectus-en-ca.pdf

The Top 10 Canadian Equity/Focused non-ESG Funds (MFs & ETFs)							
Rank	**AUM (MM)***	**Fund Name**	**Fund Code/Ticker**	**Canadian Equity/Focused**	**Issuer**	**Source**	**Inception Date**
	SA View						
1	20,090.5	RBC Canadian Dividend Fund	RBF266	Canadian Equity	RBC Global Asset Management	Prospectus, p. 258[20]	Jul, 2007
2	13,384.2	Scotia Canadian Dividend Fund	BNS585	Canadian Equity	Scotia Global Asset Management	Prospectus, p. 84[23]	Jan. 2002
3	12,069.9	iShares S&P/TSX 60 Index ETF	XIU	Canadian Equity	Blackrock	Prospectus, p. 314[22]	Sep. 1999
4	9,487.7	iShares Core S&P/TSX capped composite index ETF	XIC	Canadian Equity	Blackrock	Prospectus, p. 166[22]	Feb. 2001
5	8,679.1	Fidelity Canadian Growth Company Fund	665	Canadian Focused	Fidelity Investments	Prospectus, p. 84[24]	Oct. 2000
6	8,358.9	TD Dividend growth Fund	TDB856	Canadian Equity	TD Asset Management	Prospectus, p. 117[25]	Nov. 2001
7	8,014.7	Manulife Dividend Income Fund	34629	Canadian Focused	Manulife Investments	Prospectus, p. 91[26]	Mar. 2012
8	7,231.9	BMO Dividend Fund	BMO95146	Canadian Equity	BMO Global Asset Management	Prospectus, p. 97[27]	Nov. 2008
9	6,945.7	BMO S&P/TSX capped composite ETF	ZCN	Canadian Equity	BMO Global Asset Management	Prospectus, p. 72[28]	May, 2009
10	6,923.8	Beutel Goodman Canadian Equity Fund	BTG300	Canadian Equity	Beutel Goodman	Prospectus, p. 18[29]	Sep. 2010

*Source – SIMFund. Note that green highlights are funds that are contained in fund of funds.

(Rao, 2021)

[23] https://www.scotiafunds.com/scotiafunds/en/investment-documents.html

[24] https://www.fidelity.ca/cs/Satellite/doc/prospectus.pdf

[25] https://www.tdassetmanagement.com/Fund-Document/pdf/Prospectus/TD-Mutual-Funds/TD_MF_SP_Final_E.pdf

[26] https://www.manulifeim.com/retail/ca/en/resources/all/regulatory/simplified-prospectus

[27] https://www.bmo.com/assets/pdfs/gam/bmo_mutual_funds_sp_may_26_2021_en.pdf

[28] https://www.bmo.com/assets/pdfs/gam/bmoam_etfs_prospectus_february-7-2019-en.pdf

[29] https://30benn3d8jy322vlzd3s77pm-wpengine.netdna-ssl.com/wp-content/uploads/datafeed/pdfs/prospectus/Beutel-Goodman_Simplifed-Prospectus.pdf

The Top 10 Canadian Equity/Focused Energy Sector Funds (MFs & ETFs)							
Rank	**AUM (MM)*** **SA View**	**Fund Name**	**Fund Code/Ticker**	**Canadian Equity/Focused**	**Issuer**	**Source**	**Inception Date**
1	1,256.6	iShares S&P/TSX Capped Energy Index ETF	XEG	Canadian Equity	Blackrock	Prospectus, p. 322[22]	Mar. 2001
2	429.0	Ninepoint Energy Fund	NPP008	Canadian Equity	Ninepoint Partners	Prospectus, p. 52[30]	Apr. 2004
3	295.6	Canoe Energy Portfolio Class	GOC501	Canadian Equity	Canoe Financial	Prospectus, p. 130[31]	Jan. 2012
4	164.7	Dynamic Energy Income Fund	DYN4434	Canadian Focused	Dynamic	Prospectus, p. 191[32]	May. 2004
5	137.3	BMO Equal Weight Oil & Gas Index ETF	ZEO	Canadian Equity	BMO Global Asset Management	Prospectus, p. 89[28]	Oct. 2009
6	127.7	Canoe Energy Income Portfolio Class	GOC2001	Canadian Equity	Canoe Financial	Prospectus, p. 14131	Jan. 2012
7	48.4	CIBC Energy Fund	CIB498	Canadian Focused	CIBC Asset Management	Prospectus, p. 140[33]	Jul. 1996
8	47.3	Horizons S&P/TSX Capped Energy Index ETF	HXE	Canadian Equity	Horizons	Prospectus, p. 37[34]	Sep. 2013
9	23.3	Horizons Enhanced Income Energy ETF	HEE	Canadian Equity	Horizons	Prospectus, p. 7[35]	Apr. 2011
10	20.8	Horizons Pipelines & Energy Services Index ETF	HOG	Canadian Equity	Horizons	Prospectus, p. 15[36]	Jul. 2014

*Source – SIMFund

(Rao, 2021)

30 https://www.ninepoint.com/media/616533/ninepoint-simplified-prospectus.pdf
31 https://www.canoefinancial.com/assets/fund-data/SP-E.pdf
32 https://assets.dynamic.ca/content/dam/klick/Statutory-Document/SP_300.pdf
33 https://www.cibc.com/content/dam/personal_banking/investments/pdfs/mutual_funds/reporting_and_governance/cibc-sp-en.pdf
34 https://www.horizonsetfs.com/horizons/media/pdfs/prospectus/Benchmark1_Prospectus.pdf
35 https://www.horizonsetfs.com/horizons/media/pdfs/prospectus/CoveredCall_Prospectus.pdf
36 https://www.horizonsetfs.com/horizons/media/pdfs/prospectus/Benchmark2_Prospectus.pdf

Appendix C - Inclusion of details of the Top 18 Alberta energy companies among ESG and non-ESG funds

Ownership of the Top 10 ESG Funds Among the Top 18 Alberta Energy Companies in the Last 5 Years								
Fund Name	**Energy Company**	**Dec. 2015**	**Dec. 2016**	**Dec. 2017**	**Dec. 2018**	**Dec. 2019**	**Dec. 2020**	**Aug. 2021**
Desjardins SocieTerra Canadian Equity Fund	Enbridge	—	—	—				
	TC Energy	—	—	—				
	Canadian Natural Resources Limited	—	—	—				
	Suncor Energy	—	—	—				
	Imperial Oil Limited	—	—	—				
	Cenovus Energy	—	—	—				
	Pembina Pipeline	—	—	—				
	Tourmaline Oil	—	—	—				
	Inter Pipeline	—	—	—				
	ARC Resources	—	—	—				
	Keyera	—	—	—				
	Parkland	—	—	—				
	Whitecap Resource	—	—	—				
	Gibson Energy	—	—	—				
	Crescent Point Energy	—	—	—				
	PrairieSky Royalty	—	—	—				
	MEG Energy	—	—	—				
	Parex Resources	—	—	—				
NEI Canadian Equity RS Fund A	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							

Note: "—" indicates no records prior to inception date. Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite. (Rao, 2021)

(Cont'd)

Fund Name	Energy Company	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
IG Mackenzie Summa SRI Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							
IA Clarington Inhance Canadian Equity SRI Class	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							

Note: Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

(Rao, 2021)

(Cont'd)

Fund Name	Energy Company	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
NEI ESG Canadian Enhanced Index Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							
NBI Sustainable Canadian Equity ETF	Enbridge	—	—	—	—	—		
	TC Energy	—	—	—	—	—		
	Canadian Natural Resources Limited	—	—	—	—	—		
	Suncor Energy	—	—	—	—	—		
	Imperial Oil Limited	—	—	—	—	—		
	Cenovus Energy	—	—	—	—	—		
	Pembina Pipeline	—	—	—	—	—		
	Tourmaline Oil	—	—	—	—	—		
	Inter Pipeline	—	—	—	—	—		
	ARC Resources	—	—	—	—	—		
	Keyera	—	—	—	—	—		
	Parkland	—	—	—	—	—		
	Whitecap Resource	—	—	—	—	—		
	Gibson Energy	—	—	—	—	—		
	Crescent Point Energy	—	—	—	—	—		
	PrairieSky Royalty	—	—	—	—	—		
	MEG Energy	—	—	—	—	—		
	Parex Resources	—	—	—	—	—		

Note: "—" indicates no records prior to inception date. Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

(Rao, 2021)

(Cont'd)

Fund Name	Energy Company	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
RBC Vision Canadian Equity Fund A	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							
Desjardins RI Canada Multifactor - Low CO2 ETF	Enbridge	—	—	—				
	TC Energy	—	—	—				
	Canadian Natural Resources Limited	—	—	—				
	Suncor Energy	—	—	—				
	Imperial Oil Limited	—	—	—				
	Cenovus Energy	—	—	—				
	Pembina Pipeline	—	—	—				
	Tourmaline Oil	—	—	—				
	Inter Pipeline	—	—	—				
	ARC Resources	—	—	—				
	Keyera	—	—	—				
	Parkland	—	—	—				
	Whitecap Resource	—	—	—				
	Gibson Energy	—	—	—				
	Crescent Point Energy	—	—	—				
	PrairieSky Royalty	—	—	—				
	MEG Energy	—	—	—				
	Parex Resources	—	—	—				

Note: "—" indicates no records prior to inception date. Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

(Rao, 2021)

(Cont'd)

Fund Name	Energy Company	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
iShares ESG Aware MSCI Canada Index ETF	Enbridge	—	—	—	—			
	TC Energy	—	—	—	—			
	Canadian Natural Resources Limited	—	—	—	—			
	Suncor Energy	—	—	—	—			
	Imperial Oil Limited	—	—	—	—			
	Cenovus Energy	—	—	—	—			
	Pembina Pipeline	—	—	—	—			
	Tourmaline Oil	—	—	—	—			
	Inter Pipeline	—	—	—	—			
	ARC Resources	—	—	—	—			
	Keyera	—	—	—	—			
	Parkland	—	—	—	—			
	Whitecap Resource	—	—	—	—			
	Gibson Energy	—	—	—	—			
	Crescent Point Energy	—	—	—	—			
	PrairieSky Royalty	—	—	—	—			
	MEG Energy	—	—	—	—			
	Parex Resources	—	—	—	—			
iShares Jantzi Social Index ETF	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							

Note: "—" indicates no records prior to inception date. Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

(Rao, 2021)

(Cont'd)

Ownership of the Top 10 non-ESG Funds Among the Top 18 Alberta Energy Companies in the Last 5 Years								
Fund Name	**Energy Company**	**Dec. 2015**	**Dec. 2016**	**Dec. 2017**	**Dec. 2018**	**Dec. 2019**	**Dec. 2020**	**Aug. 2021**
RBC Canadian Dividend Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							
Scotia Canadian Dividend Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							

Note: Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

(Rao, 2021)

(Cont'd)

Fund Name	Energy Company	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
iShares S&P/TSX 60 Index ETF	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							
iShares Core S&P/TSX capped composite index ETF	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							

Note: Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

(Rao, 2021)

(Cont'd)

Fund Name	Energy Company	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
Fidelity Canadian Growth Company Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							
TD Dividend growth Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							

Note: Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

(Rao, 2021)

(Cont'd)

Fund Name	Energy Company	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
Manulife Dividend Income Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							
BMO Dividend Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							

Note: Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

(Rao, 2021)

(Cont'd)

Fund Name	Energy Company	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021
BMO S&P/TSX capped composite ETF	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							
Beutel Goodman Canadian Equity Fund	Enbridge							
	TC Energy							
	Canadian Natural Resources Limited							
	Suncor Energy							
	Imperial Oil Limited							
	Cenovus Energy							
	Pembina Pipeline							
	Tourmaline Oil							
	Inter Pipeline							
	ARC Resources							
	Keyera							
	Parkland							
	Whitecap Resource							
	Gibson Energy							
	Crescent Point Energy							
	PrairieSky Royalty							
	MEG Energy							
	Parex Resources							

Note: Green filled cell indicates the respective energy company is included in this fund in the corresponding year, and white filled cell indicates the opposite.

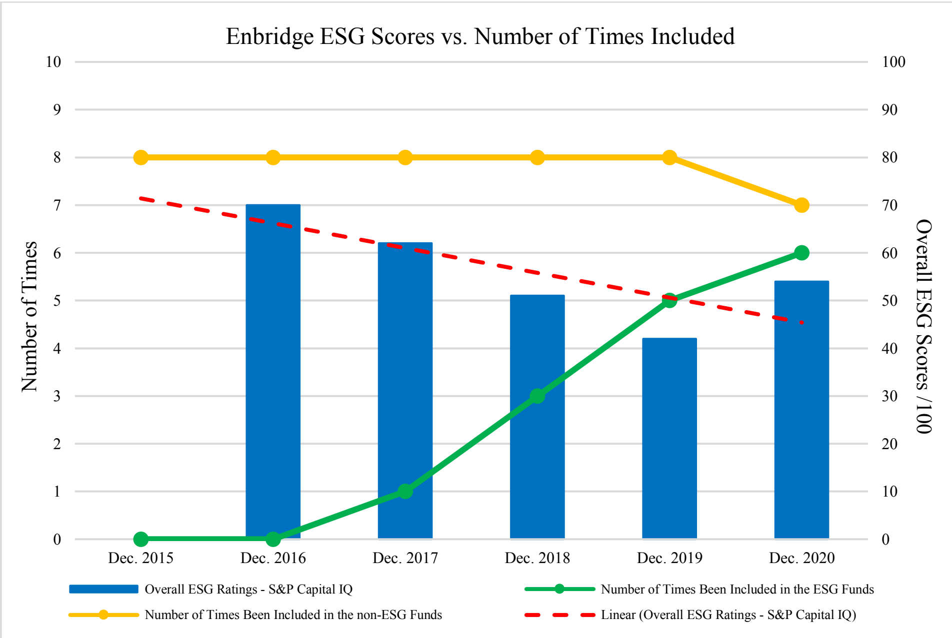
(Rao, 2021)

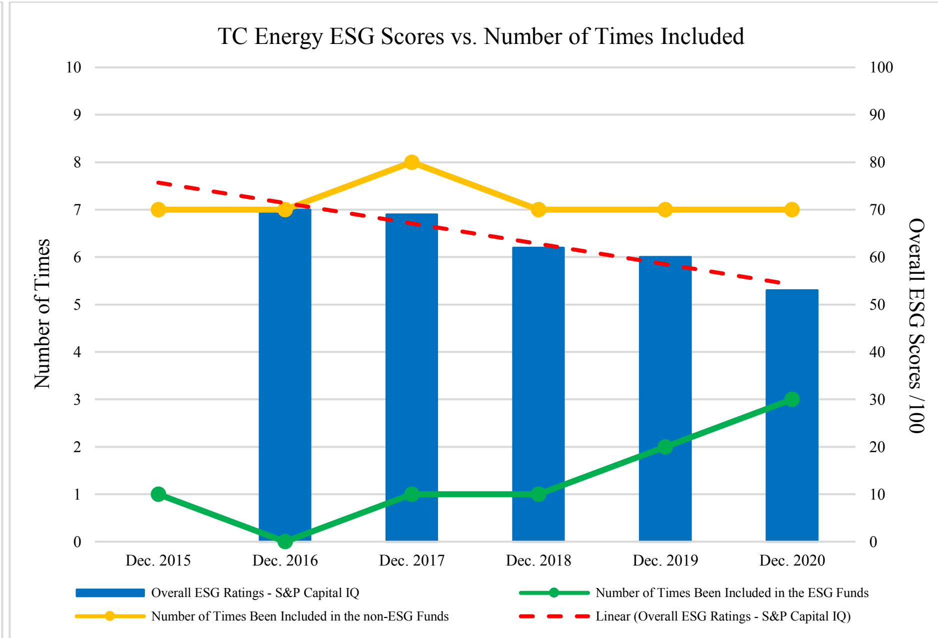
Appendix D1 – Number of Times Included in the ESG and non-ESG Funds

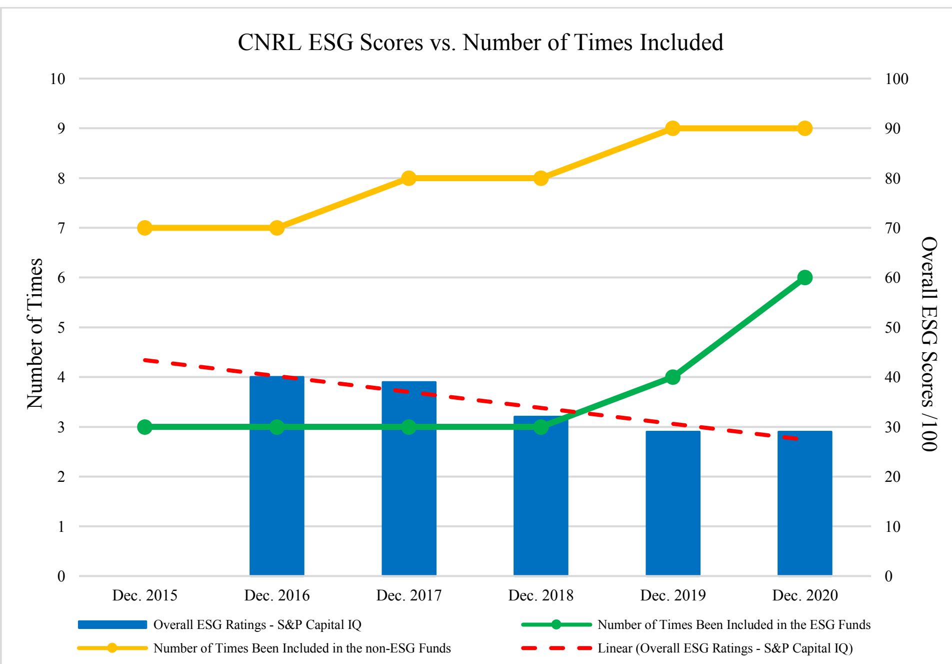
Energy Companies	Number of Times Been Included in the ESG Funds								Number of Times Been Included in the non-ESG Funds							
	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021	Average	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Aug. 2021	Average
Enbridge	0	0	1	3	5	6	6	**3**	8	8	8	8	8	7	8	**8**
TC Energy	1	0	1	1	2	3	3	**2**	7	7	8	7	7	7	7	**7**
Canadian Natural Resources Limited	3	3	3	3	4	6	6	**4**	7	7	8	8	9	9	8	**8**
Suncor Energy	5	5	5	6	7	6	6	**6**	7	9	8	8	8	8	8	**8**
Imperial Oil Limited	3	3	2	3	4	4	4	**3**	6	6	6	6	6	4	5	**5**
Cenovus Energy	4	4	3	5	7	7	6	**5**	7	6	7	5	6	4	6	**6**
Pembina Pipeline	4	4	4	4	4	4	4	**4**	7	7	8	8	7	7	7	**7**
Tourmaline Oil	2	2	2	2	2	2	4	**2**	2	2	2	2	2	3	2	**2**
Inter Pipeline	1	0	0	0	1	4	2	**1**	5	6	4	4	5	4	5	**5**
ARC Resources	5	5	5	6	6	6	6	**6**	6	6	6	6	4	4	5	**5**
Keyera	4	5	5	5	5	5	5	**5**	5	5	5	4	4	3	4	**4**
Parkland	0	0	0	0	2	4	3	**1**	2	3	3	3	3	3	3	**3**
Whitecap Resource	1	1	0	3	0	3	2	**1**	3	3	3	2	2	2	2	**2**
Gibson Energy	4	2	1	0	1	3	4	**2**	2	2	2	3	3	2	2	**2**
Crescent Point Energy	2	2	0	0	2	1	1	**1**	5	5	5	4	3	2	4	**4**
PrairieSky Royalty	2	2	0	1	1	2	3	**2**	4	4	4	4	5	4	4	**4**
MEG Energy	1	1	0	0	1	2	2	**1**	2	2	2	2	2	2	2	**2**
Parex Resources	0	0	0	1	1	3	2	**1**	2	2	2	2	2	2	2	**2**

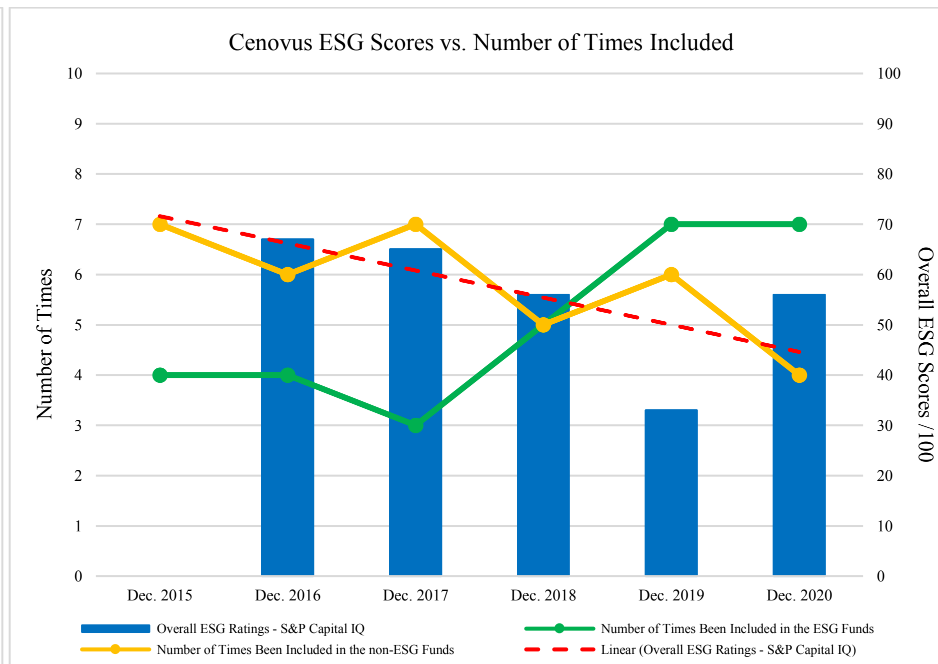
(Rao, 2021, Source – S&P Capital IQ)

Appendix D2 – Corporate ESG Scores Vs. Inclusions Group A









(Rao, 2021)

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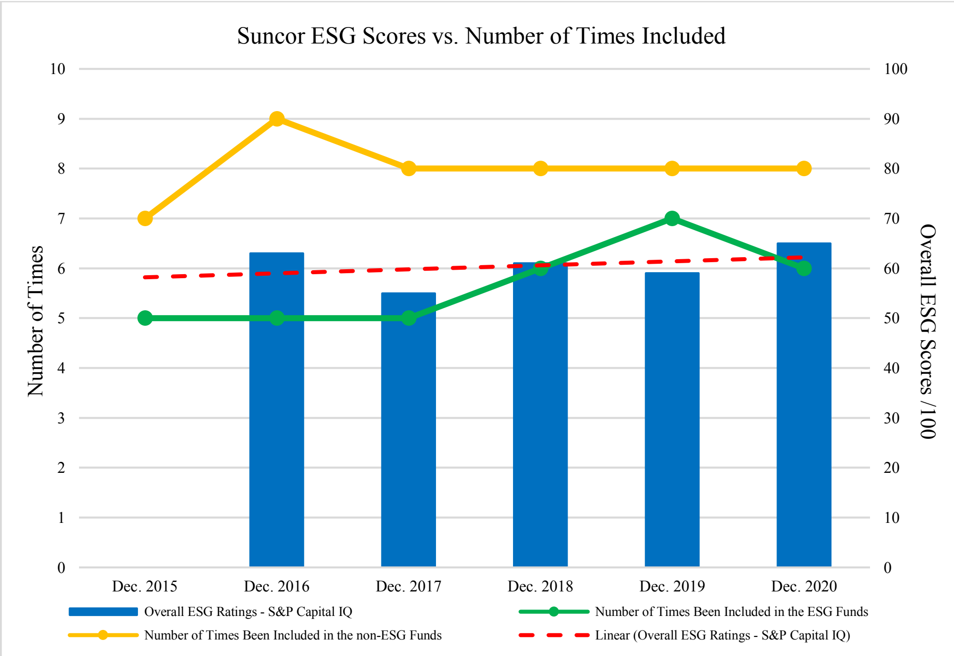
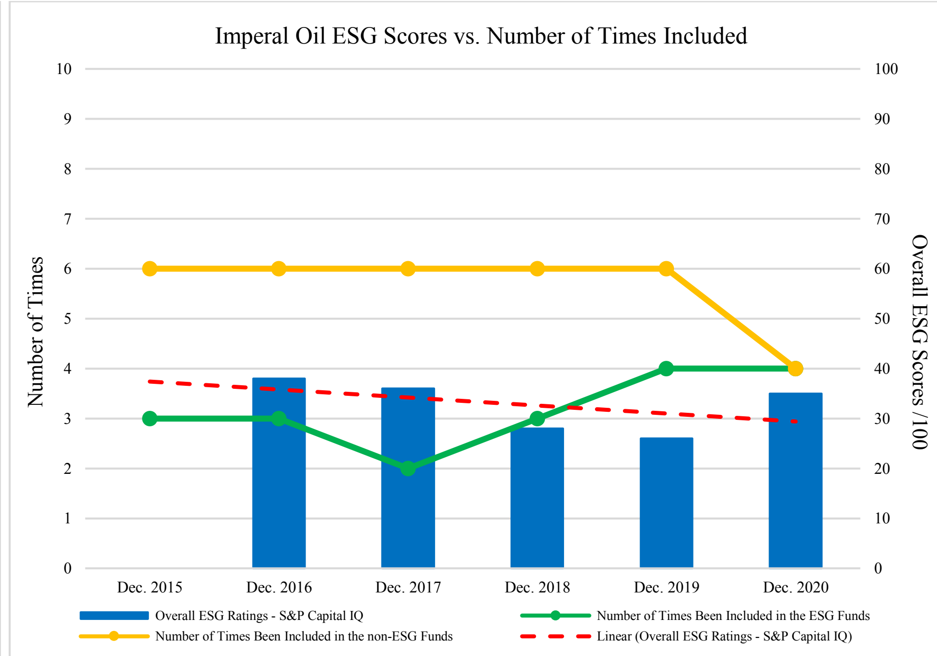
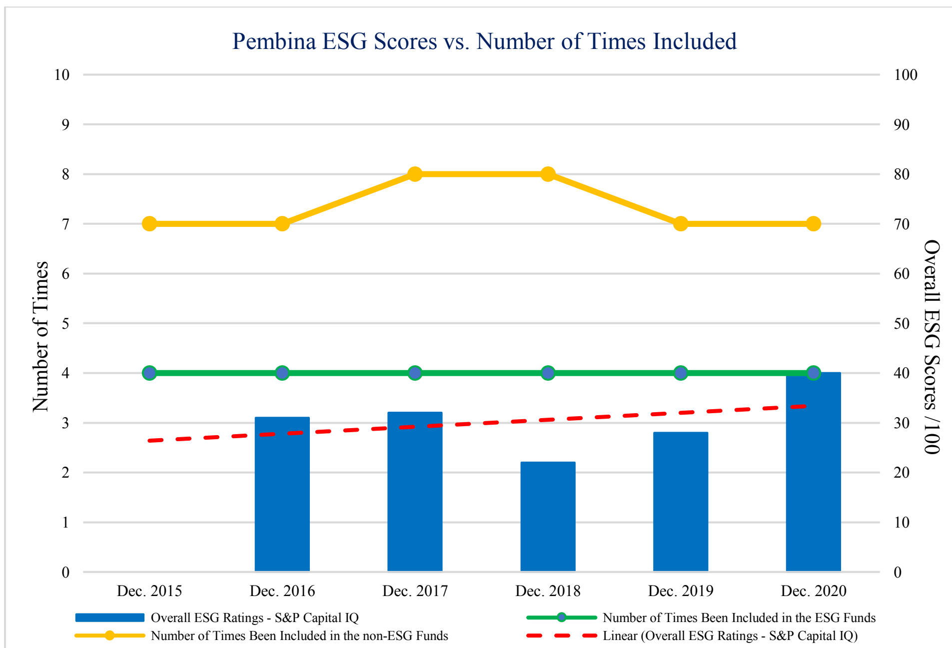
Appendix D3 – Corporate ESG Scores Vs. Inclusions Group B

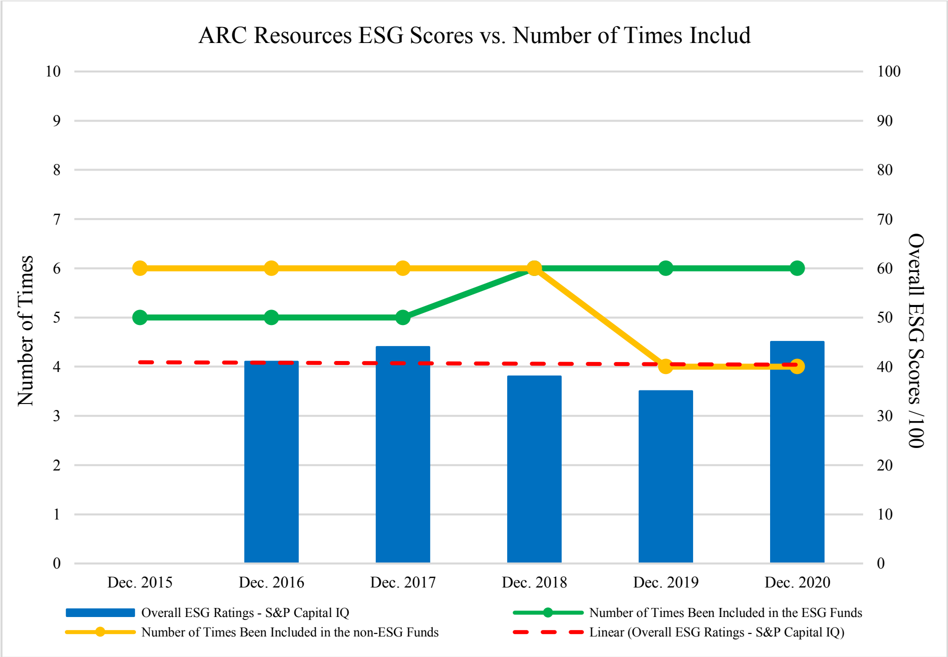


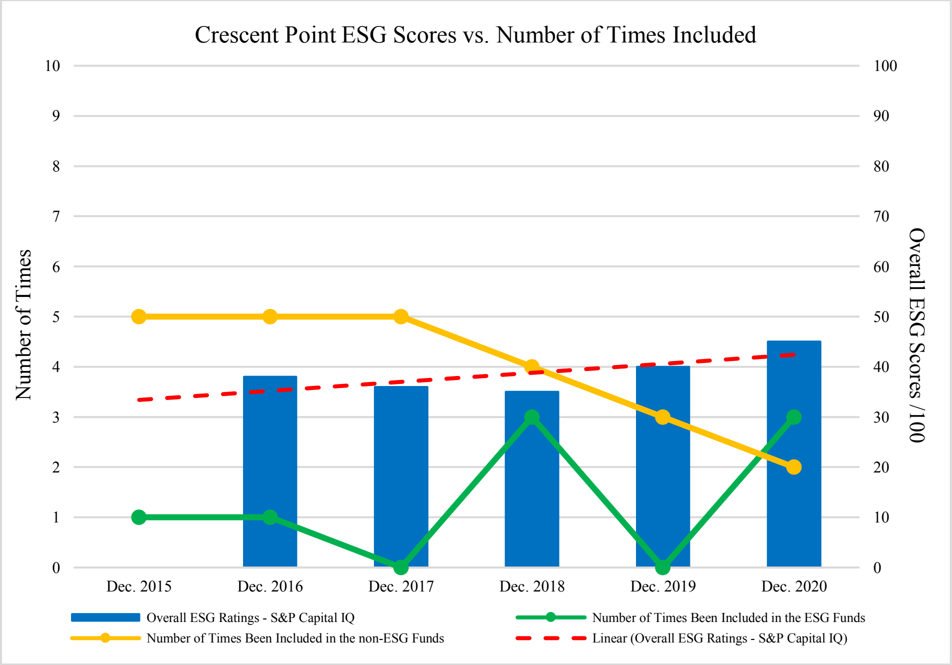




(Rao, 2021)

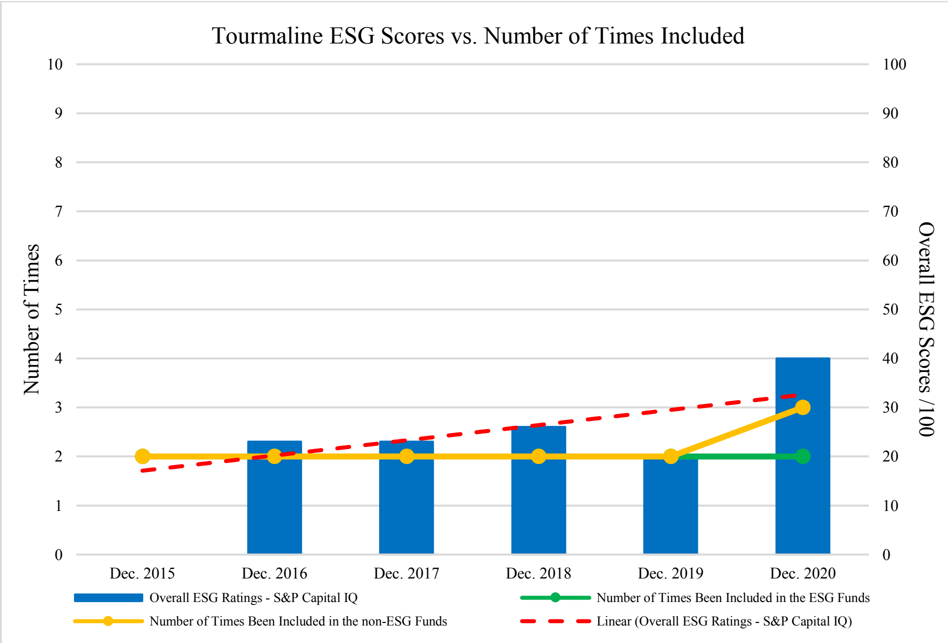
(Cont'd)

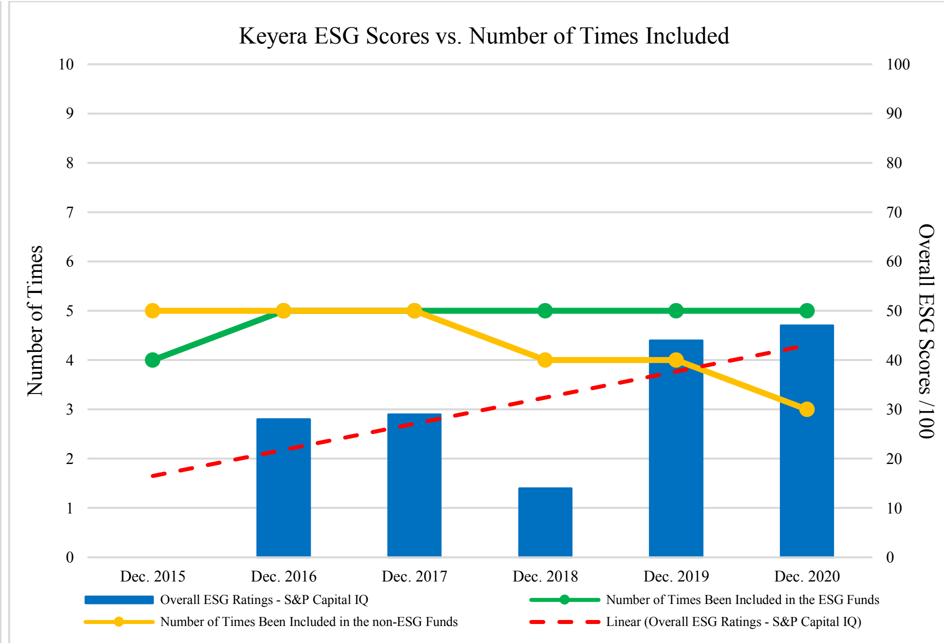


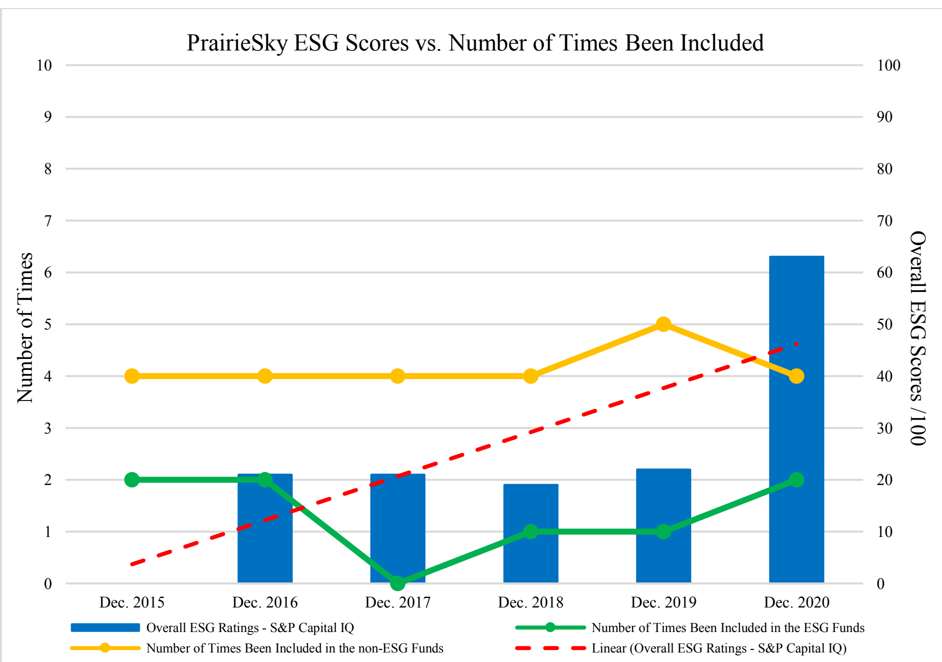


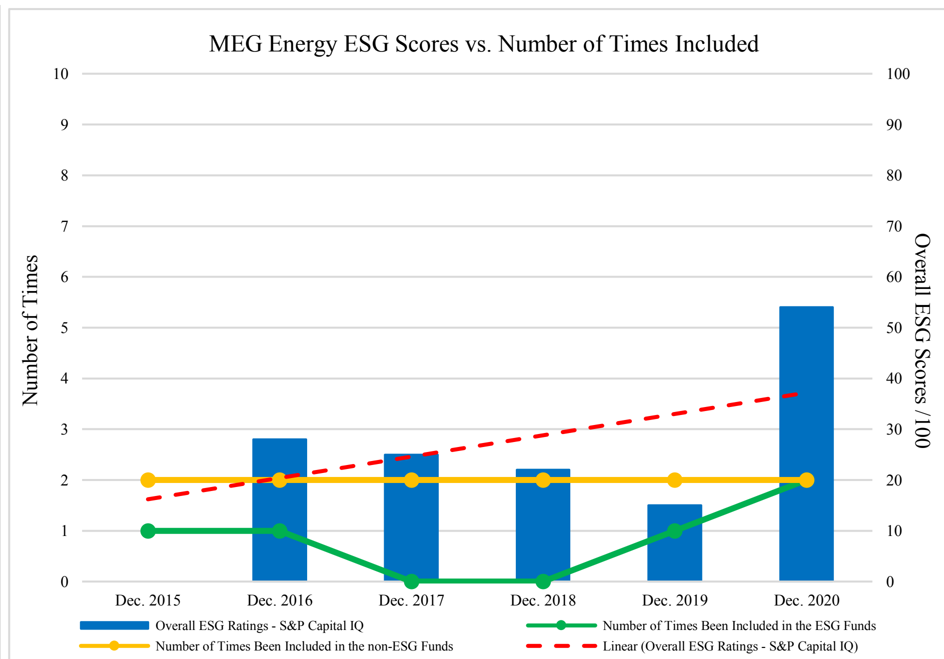
(Rao, 2021)

Appendix D4 – Corporate ESG Scores Vs. Inclusions Group C









(Rao, 2021)

Appendix E1 - Summarized ESG-related Shareholder Resolutions Filed and Voted Against the Five Alberta Energy Companies

Energy Companies	2016	Resolution Type	2017	Resolution Type	2018	Resolution Type	2019	Resolution Type
Enbridge	1	Governance	1	Combined				
TC Energy					1	Environmental - Climate Change	1	Social
Suncor Energy	1	Environmental - Climate Change						
	1	Governance						
Imperial Oil					1	Environmental - Others	1	Governance
					1	Governance		
Cenovus Energy							1	Environmental - Climate Change

(Rao, 2021, Source: S&P Capital IQ)

Energy Companies	Shareholder Resolution Type	Resolution Description
Enbridge	2016 - Governance	Audit committee to request proposals for the Audit Engagement no less than every 8 years
	2017 - Combined - E&S	Due diligence process used to identify and address social and environmental risks when reviewing potential acquisitions
TC Energy	2018 - Environmental - Climate Change	Climate change disclosure
	2019 - Social	Indigenous relations disclosure
Suncor Energy	2016 - Environmental - Climate Change	Ongoing reporting on Suncor's initiatives respecting climate change
	2016 - Governance	Annual disclosure by Suncor of lobbying-related matters
Imperial Oil	2018 - Governance	Annual disclosure by Imperial Oil of lobbying-related matters
	2018 - Environmental	Disclosure by Imperial Oil of water-related risk matters
	2019 - Governance	Annual advisory vote by shareholders on executive compensation
Cenovus Energy	2019 - Environmental - Climate Change	Disclosure on Cenovus's plan to transition to a low-carbon future - establishing and reporting against GHG emissions reduction targets

(Rao, 2021, Source: S&P Capital IQ)

Appendix E2 - Summarized ESG-related Shareholder Resolutions Proxy Voting Results

Energy Companies	Shareholder Resolution Type	Company Recommended	Asset Managers				Voting Results		
			BMO-GAM[37]	RBC-GAM[38]	TD-AM[39]	Dimensional Fund Advisors L.P.[40]	For	Against	Outcome
Enbridge	2016 - Governance	Against	Abstain	Against	-	-	4.36%	95.22%	Defeated
	2017 - Combined - E&S	Against	For	Against	-	-	30.08%	69.15%	Defeated
TC Energy	2018 - Environmental - Climate Change	For	For	For	For	For	99.10%	0.90%	Passed
	2019 - Social	Against	Against	Against	Against	Against	10.21%	89.79%	Defeated
Suncor Energy	2016 - Environmental - Climate Change	For	For	For	-	-	98.18%	1.82%	Passed
	2016 - Governance	Against	Against	Against	-	-	40.00%	60.00%	Defeated
Imperial Oil	2018 - Governance	Against	For	For	For	Against	9.15%	90.85%	Defeated
	2018 - Environmental	Against	For	For	For	Against	10.17%	89.83%	Defeated
	2019 - Governance	Against	For	For	For	For	14.56%	85.44%	Defeated
Cenovus Energy	2019 - Environmental - Climate Change	Against	Against	Against	Against	Against	10.55%	89.45%	Defeated

Note "-" indicates proxy voting result was unavailable.

(Rao, 2021)

[37] vds.issproxy.com/SearchPage.php?CustomerID=3660
[38] https://www.rbcgam.com/en/ca/products/proxy-voting/search
[39] https://www.td.com/ca/en/asset-management/resources/sustainable-investing/
[40] https://us.dimensional.com/about-us/investment-stewardship

1 Stewart St. (3rd Floor)
Ottawa, ON K1N 6N5
energyfutureslab.com