

Evolve S&P/TSX 60 CleanBeta™ Fund

Carbon emissions make up the majority of global Greenhouse Gases. As countries strive to set net-zero emission goals, investors are looking to align their values with the investments in their portfolio. Introducing the Evolve CleanBeta™ Series. The world's first carbon neutral ETF based on the performance of the S&P/TSX 60 Index. Count on SIXT for a carbon-free investment.



SIXT (Unhedged)

MACROECONOMIC HIGHLIGHTS:

The Evolve S&P/TSX 60 CleanBeta™ Fund (SIXT) was established in May 2021 to provide investors with the world's first carbon-neutral ETF based on the performance of the S&P/TSX 60 Index. Carbon emissions make up the majority of global Greenhouse Gases. As countries strive to set net-zero emission goals, investors are looking to align their values with the investments in their portfolios and decarbonize their investments.

In February, Canadian National Railway Co (CN) announced news related to ESG measures meant to reinforce the company's status as a leader among North American Class 1 railroads. The new ESG measures include the creation of the CN Indigenous Advisory Council, an annual advisory vote on CN's climate change action plan, and a commitment to a Board of Directors that has at least 50% of the independent directors come from diverse groups, including gender parity, in 2022. They also encompass a revamping of governance policies to reduce the age limit and tenure of Directors, to restrict further the number of other boards on which Directors can serve, and to reduce the size of the Board. These governance changes took effect as of the April 2021 AGM.

In March 2021, Brookfield Asset Management signaled their increased commitment to ESG principles throughout their business when they signed the Net Zero Asset Managers (NZAM) initiative. As a signatory to this initiative, Brookfield is committed to reducing the carbon emissions of its investments over time, with the goal of reaching net-zero emissions by 2050 or sooner across all assets under management.

To help achieve this, Brookfield has brought on former Governor of the Bank of England and Bank of Canada, Mark Carney. Carney, a renowned economist and advocate for sustainability will head Brookfield's ESG and Impact Fund investing.

The Royal Bank of Canada released its 2020 Environmental, Social, and Governance (ESG) Performance Report in April 2021. Reporting on a year defined by the challenges of a global pandemic, RBC lauded its commitment to ESG goals despite the upheaval.

Highlights from the RBC report include being the first Canadian bank to release a detailed action plan against systemic racism and publish a formal position statement on respecting internationally recognized human rights, in line with the United Nations Guiding Principles on Business and Human Rights. RCB also reported that its commitment to diversity and inclusion was paying dividends: 42% and 17% of Directors

identified as women and BIPOC, respectively. In a similar vein, 51% and 35% of new hires identified as women and BIPOC, respectively.

External outreach during the pandemic included supporting more than 620,000 clients through RBC Client Relief programs and providing payment deferrals for more than \$90 billion of loans during the COVID-19 pandemic.

RBC is also accelerating its enterprise climate change strategy for 2021. The bank will now strive to achieve net-zero emissions in lending by 2050 and remaining carbon-neutral in its operations.

In June, Telus Corp saw huge demand for its innovative sale of \$750 million in bonds that pay a low interest rate if the telecom company cuts greenhouse gas emissions, but a much higher rate should it miss those goals. While such sustainability-linked bonds, or SLBs, were first developed in Europe, Telus in the first company to pioneer them in Canada. In all, there are more than US\$44 billion of SLBs outstanding worldwide.

The Telus bonds pays 2.85% annually over the next 10 years, significantly lower than the rate the company would pay on a traditional bond. However, if Telus misses its greenhouse gas emissions—which call for a 46% reduction by 2030—interest rates will rise to 3.85% thereafter.

Telus' greenhouse gas emissions will be independently audited to ensure compliance. Telus's offering also received the endorsement of Sustainalytics, an Amsterdam-based independent ESG analytics firm, which confirmed the company's approach aligned with international standards for sustainability-linked debt.

Other Canadian companies are expected to follow Telus's lead by issuing SLBs of their own. Also, in June, Enbridge Inc (held by the Fund) filed for their first SLB offering, believed to be a North American first for a pipeline company. Enbridge's filing aims for a 35% reduction in greenhouse gas emissions in 2030. It also set targets for 28% representation from racial and ethnic groups in its workforce, 40% gender diversity across the organization, and a 40% female board of directors by 2025.

SOURCES:

<https://www.cn.ca/en/news/2021/02/cn-undertakes-major-new-environmental-social-and-governance-init/>

https://www.brookfield.com/sites/default/files/2021-06/2020_ESG_Report.pdf

<http://www.rbc.com/newsroom/news/2021/20210406-esg-report.html>

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