EXECUTIVE COMPENSATION AND OIL SANDS RISK MITIGATION: YOU GET WHAT YOU PAY FOR

Investors seek linkage of executive compensation to environmental, social and governance performance indicators at Canadian oil sands companies

Vancouver, BC — January 18, 2011 – As some of Canada's biggest companies face a 'say on pay' advisory vote for the first time at their 2011 annual general meetings, oil sands companies are doing a poor job of disclosing to investors how they use executive compensation to stimulate action on mitigating the environmental, social and governance (ESG) risks that threaten long-term company value.

This is one of the conclusions reached by ESG Services, working on behalf of Ethical Funds investors at NEI Investments. The team has been researching how Canadian companies link compensation to ESG risk management performance indicators in sectors that are highly-exposed to such risks - especially oil and gas.

"When it comes to risk mitigation, you get what you pay for," says Robert Walker, Vice President of ESG Services at NEI Investments. "For example, oil sands production creates a range of social and environmental impacts that can generate long-term risk for investors. Companies need to address those impacts – and a sure-fire way to make that happen is to ensure that executive compensation packages integrate the right ESG performance indicators. Based on the companies' public disclosure to shareholders, that's not happening right now," said Walker.

The ESG Services analysis found that most oil sands operators made only boilerplate reference to linking top executive pay to ESG risk indicators – or no reference at all. None of the companies tied long-term compensation to environmental and social performance. Highlights of this research appear in a new publication, *Oil Sands Update: Reducing Investor Risk Through Engagement*, which follows up on ESG Services' major oil sands benchmarking report *Lines In The Sands*, published in 2009.

"We welcome 'say on pay', but it's not a silver bullet," added Jennifer Coulson, Manager of Corporate Engagement for ESG Services. "To make informed use of the vote, shareholders should determine whether or not a company's compensation framework is encouraging executives to build long-term sustainable value."

Linkage of compensation to ESG risk mitigation is one of the priorities for Ethical Funds' 2011 corporate engagement Focus List which targets 52 companies for intensive dialogue on ESG issues. ESG Services is engaging the boards of nine oil and gas companies on executive compensation issues.

"Engaging individual companies is highly effective – but to change all companies at once, you need to change the rules," said Michelle de Cordova, Manager of Public Policy and Research for ESG Services. "That's why we are also asking the Canadian Securities Administrators (CSA) to highlight ESG performance indicators in compensation disclosure requirements for public companies." When the CSA reviewed executive compensation disclosure in 2009, it found significant issues relating to performance goals, including the absence of objective measures and the use of unspecified board “discretion” as justification for compensation paid. The CSA is now conducting a consultation on proposed amendments to compensation disclosure.

Walker adds: “We are working to ensure that the compensation regimes of the companies in our funds are aligned with corporate strategy and risk management priorities, using the different tools available to us as responsible investors. The idea that the attitude of management and employees to risk might be guided by the way that they are rewarded may seem like a no-brainer – but experience shows that companies are still not acting on it.”

Download *Oil Sands Update: Reducing Investor Risk Through Engagement* from http://www.neiinvestments.com/neifiles/PDFs/5.4%20Research/NEI_OilSandUpdate_Oct%202010.pdf

About NEI Investments

NEI Investments is owned 50% by the Provincial Credit Union Centrals and 50% by Desjardins Group, and offers a wide range of conventional and corporate class funds from Northwest Funds and the largest responsible investing funds family in Canada from Ethical Funds. NEI Investments currently has over $4.8 billion in assets under management. NEI Investments’ ESG Services advises Ethical Funds and other institutional investors with regard to ESG risk mitigation.

NEI Investments has offices in Toronto, Vancouver and Montreal. ESG Services is located in the Vancouver office.

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BACKGROUNDER

- Every year, ESG Services, on behalf of Ethical Funds, identifies a corporate engagement Focus List of companies for intensive dialogue on environmental, social and governance (ESG) issues. The companies on the Focus List represent approximately 20% of the assets under management within NEI Investments' Ethical Funds portfolios.
- In 2009,ESG Services published *Lines in the Sands*, a comprehensive benchmarking report that analyzed environmental, social and governance (ESG) policies and practices of 13 publicly-traded Canadian, American, and international companies with commercial oil sands operations in Northern Alberta. The report examined each company's exposure to risk on the themes of disclosure, aboriginal engagement, climate change and air pollution, water, land use and biodiversity, and corporate strategy for change.
- The Canadian Securities Administrators (CSA) are seeking comments on proposed amendments to Form 51-102F6, *Statement of Executive Compensation,* which sets out disclosure requirements on executive compensation policy and practice at Canadian public companies.