

July 3, 2008

The Right Honourable Stephen Harper, PC, MP  
Prime Minister of Canada  
Langevin Block  
Ottawa, Ontario K1A 0A2

**Re: Implementing the recommendations of the National Roundtables on Corporate Social Responsibility and the Canadian Extractive Sector in Developing Countries**

Dear Prime Minister,

We are writing to express our support for the recommendations of the National Roundtables on Corporate Social Responsibility (CSR) and the Canadian Extractive Industry in Developing Countries.

The National Roundtables process was supported by an Advisory Group which drew together experts from Canadian extractives companies, extractive industry associations, the socially-responsible investment community, labour, civil society and academia. The Ethical Funds Company Vice President for Sustainability, Robert Walker, was a member of the Advisory Group.

In March 2007 the Advisory Group issued a report outlining a comprehensive package of consensus recommendations, each building on the others, for enhancing CSR among Canadian extractives companies operating in developing countries<sup>1</sup>.

In advance of the release of the report, the government announced that Canada would support the Extractive Industries Transparency Initiative (EITI), as recommended by the Advisory Group<sup>2</sup>. We commend this decision. We were further encouraged by your endorsement of the National Roundtables process at the 2007 G8 Summit, where you announced that "implementation of the recommendations from this process will place Canada among the most active G8 countries in advancing international guidelines and principles on corporate social responsibility in this sector"<sup>3</sup>.

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<sup>1</sup> Advisory Group Report, March 29, 2007 <http://www.international.gc.ca/cip-pic/library/Advisory%20Group%20Report%20-%20March%202007.pdf>

<sup>2</sup> Department of Finance news release, February 10, 2007 <http://www.fin.gc.ca/news07/07-012e.html>

<sup>3</sup> Government of Canada news release, June 8, 2007 [http://www.g8.gc.ca/G8\\_Summit-en.asp](http://www.g8.gc.ca/G8_Summit-en.asp)



However, we are disappointed that more than a year has now passed without a formal response from the government to the Advisory Group report, and without implementation of further recommendations beyond participation in EITI.

Noting the strong support for the Advisory Group recommendations from progressive extractives companies and business associations and from civil society, we would like to take this opportunity to highlight the importance of enhanced CSR disclosure and performance to investors in Canadian extractive companies.

Canada is a significant presence in the global extractives industry. Canadian-listed companies have interests in more than 8000 exploration and mining properties in over 100 countries, and Canadian-based companies conduct around 40% of all mineral exploration undertaken worldwide<sup>4</sup>. In 2006, 84 Canadian exploration and production companies had land holdings in 69 countries worldwide<sup>5</sup>.

It is therefore not surprising that extractive industry forms a significant component of the Canadian investment universe. In 2007 the materials and energy sectors represented almost 45% of the TSX Composite Index<sup>6</sup>. In 2008 more mining, oil and gas companies were listed on the TSX and TSX Venture exchanges than any other exchange worldwide: 1400 mining issuers valued at over \$378 billion<sup>7</sup>, and over 400 oil and gas companies with a total market capitalization of \$529.3 billion<sup>8</sup>.

A growing community of investors is basing its decision-making on the thesis that companies incorporating best environmental, social and governance (ESG) practices into their strategy and operations will provide higher risk-adjusted returns over the long term. According to research by Canada's Social Investment Organization, assets managed under socially-responsible investment (SRI) guidelines in Canada grew from \$65 billion to \$503 billion between 2004 and 2006, representing almost 20% of the combined mutual fund and institutional investment market<sup>9</sup>. The Social Investment Forum (SIF) found that US SRI assets increased 18% from US\$2.29 trillion to US\$2.71 trillion between 2005 and 2007, against growth of under 3% in all assets under management<sup>10</sup>. Internationally, some 360 investment institutions managing assets in excess of US\$14 trillion have become signatories to the UN-sponsored Principles for Responsible Investment<sup>11</sup>.

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<sup>4</sup> Natural Resources Canada [http://www.nrcan.gc.ca/mms/video/keyfacts\\_e.htm](http://www.nrcan.gc.ca/mms/video/keyfacts_e.htm)

<sup>5</sup> Doig's Digest <http://www.doigsdigest.ca/ceva.php>

<sup>6</sup> [http://www2.standardandpoors.com/spf/pdf/index/SP\\_TSX\\_Composite\\_Factsheet.pdf](http://www2.standardandpoors.com/spf/pdf/index/SP_TSX_Composite_Factsheet.pdf)

<sup>7</sup> [http://www.tsx.com/en/about\\_tsx/corporate\\_information/index.html](http://www.tsx.com/en/about_tsx/corporate_information/index.html)

<sup>8</sup> TSX Group [http://www.tsx.com/en/listings/sector\\_profiles/oil\\_gas.html](http://www.tsx.com/en/listings/sector_profiles/oil_gas.html)

<sup>9</sup> Social Investment Organization <http://www.socialinvestment.ca/documents/SRIReview.pdf>

<sup>10</sup> Social Investment Forum [http://www.socialinvest.org/pdf/SRI\\_Trends\\_ExecSummary\\_2007.pdf](http://www.socialinvest.org/pdf/SRI_Trends_ExecSummary_2007.pdf)

<sup>11</sup> Principles for Responsible Investment [http://www.unpri.org/files/2008PRI\\_Report\\_on\\_Progress.pdf](http://www.unpri.org/files/2008PRI_Report_on_Progress.pdf)

As members of the expanding group of investors and investment institutions integrating ESG considerations into decision-making, we favour action to enhance corporate social responsibility policy, practice and disclosure among equity issuers, because of the potential to reduce risks and uncertainties that can impact on portfolio performance.

Extractives companies, which form such a significant part of the Canadian economy, are particularly exposed to environmental, social and political risks and uncertainties, especially when operating in developing countries. In any location, resource extraction may involve significant impact on the environment and local communities, as well as major challenges for health and safety management. In developing countries, Canadian extractive companies may face additional challenges, including unfamiliar cultural environments, weak resource governance and human rights regimes, highly vulnerable communities, and situations of armed conflict. Companies with poor CSR performance are exposed to a variety of risks that can affect financial performance, including security problems in the field, loss of regulatory or social "license to operate", litigation, boycotts and divestment campaigns. The poor CSR performance of these companies not only affects their own value, but also impacts negatively on the reputation of the entire extractives sector, increasing risks for all companies.

Action to support enhanced CSR disclosure and performance among all Canadian extractives companies operating in developing countries can contribute to reduced risk and increased certainty for investors. The Government of Canada is well-placed to take a global leadership role regarding CSR in the extractives industry, and implementing the recommendations from the National Roundtables process would indeed place Canada among the most active G8 countries in advancing international guidelines and principles on CSR in this sector.

We therefore urge the Government of Canada to announce its plans for implementation of the Advisory Group recommendations at or before the upcoming G8 summit in July 2008. Failure to do so will be damaging for the international reputation of Canada and its extractive industries.

This letter is supported by the undersigned Canadian and international investors and investment institutions.

Sincerely,



Robert Walker  
Vice President, Sustainability  
**The Ethical Funds Company**



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Margaret Weber  
Corporate Responsibility Director  
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François Meloche  
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cc:

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