September 7, 2010

Stephen Griggs
Executive Director
Canadian Coalition for Good Governance
120 Adelaide Street West, Suite 2500
Toronto, Ontario
M6H 1T1

Re: **Statement on Full and Clear Disclosure in Financial Reporting**

Dear Mr. Griggs,

Northwest & Ethical Investments L.P. would like to commend the Accounting and Audit Policy Committee of the Canadian Coalition for Good Governance (CCGG) for its *Statement on Full and Clear Disclosure in Financial Reporting*, and for its initiative to seek comments on the draft.

With some $4.5 billion in assets under management, Northwest & Ethical Investments L.P.'s approach to investing incorporates the thesis that companies integrating best environmental, social and governance (ESG) practices into their strategy and operations will provide higher risk-adjusted returns over the long term. As a long-standing member of the CCGG, with extensive experience evaluating and engaging companies on their ESG practices, we welcome the Statement, and agree that full, clear and accessible financial reporting is a means to enhance corporate communication with shareholders. We do, however, have two suggestions regarding the draft.

Page 1, paragraph 3: *"Clarity in disclosure of corporate governance practices, executive compensation plans and financial reporting provide shareholders with* ***the*** [emphasis added] *necessary tools to make informed investment and proxy voting decisions."*

Investors certainly need clear disclosure on all of these points, but this is not an exhaustive list of the tools needed to make informed investment and ownership decisions. An ever-increasing number of institutional investors would agree that clear disclosure on material aspects of environmental and social policy and performance is also needed, to understand the risks that companies are facing in these areas. Evidence for this can be found in the growth of ESG investor coalitions such as the UN Principles for Responsible Investment, and in CCGG's own emerging focus on environmental and social aspects of governance.

To avoid the possibility that readers may misinterpret the quoted sentence as casting doubt on the value of types of disclosure that are not listed here, we suggest either deleting the highlighted word **"the"**, or adding a footnote or parenthetical to explain that recognition of the necessity for reporting on material environmental and social issues is embedded within the CCGG concept of good governance practice.

Page 2, paragraph 1, bullet 4: *"Improve reporting of capital expenditures by:*

- *separating them into growth and maintenance*
- *better explaining how capital expenditures relate to* ***the ability of a firm to provide goods and services****."*

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The specific reference to the need for reporting on capital expenditures that relate to *"the ability of a firm to provide goods and services"* could be interpreted as implying that this ability is the core objective of a company, and that information on capital expenditure that does not relate directly to this ability may not be material. It should be noted that some significant capital expenditures, such as expenditure to improve pollution control, may have the direct impact of reducing risk to the company, or ensuring its license to operate. Such expenditure does, of course, have an important indirect impact on a company's ability to provide goods and services.

The International Corporate Governance Network (ICGN) has published a useful articulation of the objective of a public company that may be relevant in this context: *"Sustainable value creation: The objective of companies is to generate sustainable shareholder value over the long term. Sustainability implies that the company must manage effectively the governance, social and environmental aspects of its activities as well as the financial. Each company needs over time to generate a return on the capital invested in it over and above the cost of that capital. Companies will only succeed in achieving this in the long run if their focus on economic returns and their long-term strategic planning include the effective management of their relationships with stakeholders such as employees, suppliers, customers, local communities and the environment as a whole."* [1]

We suggest redrafting the bullet or adding a footnote or parenthetical clarifying that companies should be explaining how their capital expenditures support their ability to create sustainable value – or another formulation that encompasses both the ability to provide goods and services, and the necessity of maintaining license to operate.

Please do not hesitate to contact us for further discussion of the issues raised here.

Sincerely,

Northwest & Ethical Investments L.P.

Bob Walker,
Vice President, Sustainability

CC:
Pierre Tardif
Chair of the Board of Northwest & Ethical Investments Inc., general partner of Northwest & Ethical Investments L.P.

John Kearns
Chief Executive Officer, Northwest & Ethical Investments L.P.

John Mountain
Senior Vice President, Legal, Northwest & Ethical Investments L.P.

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[1] ICGN Global Corporate Governance Principles, 2009 http://www.icgn.org/files/icgn_main/pdfs/best_practice/global_principles/short_version_-_icgn_global_corporate_governance_principles-_revised_2009.pdf. Principle 1, page 9.