



July 31, 2013

Natural Resources Canada
580 Booth Street
Ottawa, Canada
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Re: Feedback on Canadian Mandatory Transparency Reporting in the Extractive Sector

We are writing in response to the Government of Canada's request for stakeholder feedback on the assumptions underlying its goal of creating mandatory transparency reporting standards for the extractives industries. We commend the Government of Canada for proactively seeking to align Canadian reporting standards with other international processes, and strongly support the commitment that has been made to extractives industries transparency.

With approximately C\$5 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies integrating best environmental, social and governance (ESG) practices into their strategy and operations will build long-term sustainable value for all stakeholders, and provide higher risk-adjusted returns to shareholders. The company evaluations, corporate engagement and research activities that we conduct to fulfill our responsible investment commitments give us insight into Canadian companies' progress in responding to ESG risks, the obstacles they face, and how appropriate policy could support their efforts.

We offer some high-level comments from our investor perspective on extractives industries transparency below. We have submitted more substantive responses to your request for feedback in the appended form. Overall, we are very encouraged by the initial direction of the proposed mandatory reporting framework and urge the Government of Canada to follow through with its commitment to mandatory reporting for the extractives industries.

Support for the Recommendations of the Resource Revenue Transparency Working Group

We understand that the Government of Canada has closely followed the work of the Resource Revenue Transparency Working Group (RRTWG) and is aware of the RRTWG's recently released draft recommendations.¹ NEI Investments was one of the lead authors of an investor statement of support for the RRTWG signed by 24 Canadian investment institutions representing over \$362 billion in assets under management.² We continue to support the work of the RRTWG and believe that the draft recommendations put forth by the working group should form the basis for any mandatory reporting framework for Canadian companies.

¹ http://www.pwyp.ca/images/documents/Working_Group/RRTWG - Draft for Consultation - June 14th 2013.pdf

² https://www.neiinvestments.com/Documents/2013_ESG/Investor%20Statement%20RRTWG.pdf

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We believe the value of the multi-stakeholder nature of the working group cannot be overstated. It is rare for the extractive sector and non-governmental organizations to sit down and collaborate and even rarer for them to agree on explicit guidance for industry. It would be a significant missed opportunity if the Government of Canada did not build upon the success of this group.

Exemptions

We believe that there should be no exemptions from the mandatory reporting framework that will be developed. Allowing exemptions would run counter to the goal of a transparency initiative and would in effect reward those countries that are the least transparent and face the greatest corruption challenges. Further, the RRTWG has itself endorsed a “no exemptions” stance, while both the EU Transparency and Accounting Directive and section 1504 of the Dodd-Frank Act do not allow for exemptions. We do not feel that there is a justification for Canada to adopt an exemption rule.

Consultation with Aboriginal Communities and Leadership

We believe that ultimately all payments made by extractive sector companies to all levels of government should be made transparent. This includes payments to Aboriginal governments through various bilateral agreements and other vehicles. However, we strongly believe that the framework for how these payments will be made transparent must be developed in consultation with Aboriginal communities. We do not believe that the level of consultation required can be achieved on the same timeframe as consultations with industry. Further, we are concerned that moving too quickly with transparency requirements for payments to Aboriginal communities will create material risks for companies that are currently negotiating with communities.

We do not think that other aspects of mandatory reporting should be held back while this consultation occurs. Rather, the Government of Canada should move ahead with its plans to introduce mandatory reporting guidelines for industry but recognize that transparency on payments made to Aboriginal governments will have to come later once agreement has been achieved through appropriate consultation.

In conclusion, we once again commend the Government of Canada for its proactive effort to create mandatory reporting guidelines for extractive sector companies and for the opportunity to provide feedback on this effort. We see significant value in a mandatory reporting framework and look forward to further developments on this front. If you have any questions regarding this letter or our submitted comments please contact Jamie Bonham, Manager Extractives Research & Engagement, NEI Investments (jbonham@neiinvestments.com; 604-742-8328).

Sincerely,

NEI Investments

A handwritten signature in black ink, appearing to read "Bob Walker", with a long horizontal flourish extending to the right.

Bob Walker
Vice President, ESG Services & NEI Ethical Funds



CC:

Board of Directors, NEI Investments

Michelle de Cordova, Director, Corporate Engagement & Public Policy, ESG Services & NEI Ethical Funds, NEI Investments