



August 27, 2013

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Re: Feedback on Resource Revenue Transparency Working Group Draft Recommendations

We are writing in response to the Resource Revenue Transparency Working Group (RRTWG) request for stakeholder feedback on the group's draft recommendations for extractives transparency in Canada. We commend the RRTWG for the substantive work it has undertaken, 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 the draft recommendations below. In general, we find the draft recommendations represent an important contribution to the discussion on extractives transparency and we hope any mandatory disclosure framework that is developed in Canada follows the recommendations closely. 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.

Section II: Venue for Implementation

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We are supportive of using the provincial/territorial securities regulators as the disclosure vehicle for mandatory reporting. While we recognize that such an approach will not cover all possible actors, it will cover a significant proportion of the extractive sector with the greatest degree of efficiency. The securities regulators already have existing disclosure frameworks, expectations, and compliance protocols in place that can be built upon for this initiative. As well, investors and companies alike are familiar with the protocols for reporting through these entities.

We believe it is worthwhile looking at how non-public companies could be captured by a mandatory reporting regime. However, the immediate focus for the working group should be on public companies and their subsidiaries. If the group's recommendations are implemented federally, the government should undertake the creation of a broad extractives transparency law that requires disclosure from all companies involved in the extractives sector in Canada, unless they are already disclosing under the rules set by securities regulators. Perhaps the group's recommendations could contain a reference to this possibility, in the interest of planting the seed for complete transparency across the sector.

Section III: Equivalency

We agree with the recommendation that where possible, the framework should strive for equivalency with the US Dodd-Frank Act and the EU Transparency Directive. This will reduce the reporting burden for companies that are listed in multiple jurisdictions.

Section IV: Scope of Reporting

We are supportive of the definition of scope but note the exclusion of payments associated with Aboriginal communities. We support this exclusion based on the inability of the members of the working group to speak on behalf of Aboriginal communities. But we believe that complete transparency on all revenue payments – including those to Aboriginal governments – should be the long-term goal.

However, we also believe that Aboriginal communities need to be thoroughly consulted on how and when this happens. It is not feasible for adequate consultation to occur in the timeframe that the government appears to be utilizing for the creation of mandatory reporting requirements. Creating mandatory expectations of disclosure for the details of Aboriginal/industry agreements prior to the completion of a substantive consultation process will ultimately create unnecessary friction between governments, Aboriginal communities, and industry. This will also lead to significant risks for investors.

The need for consultation should not hold up the release of transparency expectations for the industry as a whole. Subsequent iterations of the reporting requirements can contain expectations around Aboriginal agreements when those conditions have been worked out through substantive consultation. We believe the draft recommendations should include reference to this, and should make clear the requirement for substantive consultation to occur with the relevant Aboriginal authorities.

Sections V – VII

We have no substantive comments on these sections and support the recommendations as laid out.

Section VIII: Required Payment Categories



We believe that the current proposed list of payments is largely adequate. It is not entirely clear if the “fees” category would capture payments made to consultants and third parties that are not directly employed by the host government, but who are acting on behalf of the government to secure license agreements. The reporting framework should include any payments that are linked to the company’s requirements for acquiring and utilizing its license to operate.

Section IX: Payment Reporting Threshold

We support the inclusion of a tiered reporting threshold (e.g. \$10K) that is mandatory for all companies deemed to be small issuers based on a specified capitalization amount of the reporting company. We would also recommend that the framework provide an anti-avoidance mechanism that would prevent payments from being made below threshold limits in denominations that when aggregated would be otherwise reportable.

Section X: ‘Project’ Definition

We believe that Canadian disclosure expectations should align with the definition that has been utilized by the EU Transparency Directive. This definition provides the flexibility to apply to both mining and oil and gas operations. Though the RRTWG recommendations are specific to mining companies, we believe there is merit in crafting a recommendation that could be inclusive for all extractives companies.

Care should be taken to ensure that companies are not allowed to aggregate information at too large a scale as to reduce the efficacy of the reporting (e.g. reporting at a national level). While the current definition in the draft recommendations accomplishes this goal for mining operations, we feel a recommendation with a broader application could be useful.

Section XI: Exemptions

We strongly support the recommendation that there should be no exemptions from the mandatory reporting framework. 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. We do not feel that there is a justification for Canada to adopt an exemption rule.

Sections XI – XVI

We have no further comments on these sections.

In conclusion, we once again commend the working group 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 (jbbonham@neiinvestments.com; 604-742-8328).

Sincerely,



NEI Investments

A handwritten signature in black ink, appearing to read "Bob Walker", with a long horizontal line 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

