June 24, 2016

Sustainable Development Office
Environment and Climate Change Canada
200 Boul. Sacré-Coeur, 12th floor
Gatineau, QC, K1A 0H3

Sent by email: ec.bdd-sdo.ec@canada.ca

Re: Planning for a Sustainable Future: Federal Sustainable Development Strategy 2016-2019

We are writing in response to the request for comments on the public consultation draft of the third Federal Sustainable Development Strategy (FSDS) 2016-19.[1] We also submitted comments to the consultation on the previous FSDS draft in 2013.[2]

As a Canadian investment management company with approximately $6 billion in assets under management (AUM), 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 sustainability risks, the obstacles they face, and how appropriate policy could support their efforts.

NEI's holdings include Canadian Federal fixed income instruments, so we also offer our perspective as a financial stakeholder in Canada's own investment offerings. The responsible investment community globally is exploring the integration of ESG factors into bond investment, as well as the potential to enhance engagement on ESG questions with bond issuers, both corporate and non-corporate. Over 1500 investment institutions representing more than US$60 trillion in assets under management are signatories to the Principles for Responsible Investment (PRI), a global collaboration to advance the practice of responsible investment. So far, PRI signatories representing US$15 trillion in AUM and six credit ratings agencies have expressed support for the *Statement on ESG in Credit Ratings*,[3] which recognizes that ESG risks can create volatility for government bonds; while investors representing US$2.2 trillion in AUM have signed the *Green Bonds Statement*[4] calling on governments to support issuance of bonds that address climate change based on clear standards.

Articulating a sustainable development vision for Canada – key recommendations

In the following pages, we discuss a range of pressing sustainability challenges from the perspective of an institutional investor. We have presented our comments following the structure of the FSDS draft. Our key recommendations can be summarized as follows - references are included to the relevant pages within the submission.

[1] Government of Canada (2016). Planning for a Sustainable Future – A Federal Sustainable Development Strategy for Canada 2016-2019 http://www.fsds-sfdd.ca/downloads/3130%20-%20Federal%20Sustainable%20Development%20Strategy%202016-2019_.pdf
[2] NEI Investments (2013). Planning for a Sustainable Future – A Federal Sustainable Development Strategy for Canada https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2013/Extractives%20Transparency_NEI%20Comments_final_website.pdf
[3] Principles for Responsible Investment (2016). Statement on ESG in Credit Ratings. https://www.unpri.org/press-releases/credit-ratings-agencies-embrace-more-systematic-consideration-of-esg
[4] The Paris Green Bonds Statement (2015). http://www.climatebonds.net/files/files/Paris_Investor_Statement_9Dec15.pdf

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- The specific role of investors in advancing sustainable development should be recognized (p3), and their potential as partners for action should be unlocked through enhanced corporate disclosure requirements (p4), specifically including disclosure on climate matters (p9).
- There should be more emphasis on multi-stakeholder initiatives to find workable solutions to sustainability problems (p3). For example, we point to the work of the Boreal Leadership Council in relation to free, prior and informed consent (p3) and strategy for Boreal conservation and sustainable development (p12).
- “Big picture” approaches to sustainability should be promoted, such as regional strategic environmental assessment, which could help to streamline environmental decision-making as well as enhancing the management of cumulative environmental and social impacts (p7).
- The Federal Government should act to ensure that some form of carbon pricing is implemented across all Canadian jurisdictions, but should ensure that the floor price does not dissuade provinces from establishing more stringent frameworks (p11).
- The Federal Government can play an important role in stimulating clean tech innovation, in particular for early stage research and development that could face challenges raising capital (p11), but must avoid contributing to a “low-carbon bubble” of over-valued companies (p14).
- Alongside attention for emerging sectors of the economy, in the near term there should also be a strong focus on stimulating innovation and investment to reduce environmental impacts within the traditional resource industries, including oil and gas (p11).

Acknowledging the role of the 2030 Agenda’s Sustainable Development Goals

Following the adoption of the UN Sustainable Development Goals[5] (SDGs) in late 2015, we reviewed our program to identify key linkages. In this context we observe that the FSDS draft deals almost exclusively with environmental issues, while the SDGs also cover social concerns; and that the FSDS focuses primarily on domestic matters, while significant sustainability impacts of Canadian business manifest in developing countries. If the social and international aspects of the SDGs are not addressed within the FSDS, we encourage the Federal Government to offer additional opportunities for consultation on how to address them.

In particular, we believe it is important to prioritize operationalization of the corporate “responsibility to respect” human rights under the UN Guiding Principles on Business and Human Rights (UNGPs).[6] The UN Working Group on Business and Human Rights has called on member states to develop National Action Plans on Business and Human Rights (NAPs),[7] policy documents outlining the actions states will undertake to ensure implementation of the UNGPs. This includes clarifying the human rights responsibilities of companies within existing corporate and criminal law frameworks, so we encourage the Federal Government to consider how human rights obligations might be integrated to the Canada Business Corporations Act. In considering further specific priorities for a human rights legislative agenda at issue and sector level, we would highlight that other states have already taken action on the following issues that investors increasingly view as ESG risks: supply chain human rights concerns, including modern-day slavery, and sourcing of minerals from conflict and high-risk regions; and clarification of how the prohibitions within cluster munitions legislation apply to investment activity.

Recognizing the contribution of our partners – multi-stakeholder initiatives and investors

As indicated in our submission to the consultation on the previous FSDS, we believe the activities of non-Federal stakeholders that contribute to sustainability should be highlighted. The FSDS focuses on

[5] Sustainable Development Goals https://sustainabledevelopment.un.org/?menu=1300
[6] OHCHR (2011). Guiding Principles on Business and Human Rights. http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
[7] OHCHR (2014). Guidance on National Action Plans on Business and Human Rights. http://www.ohchr.org/EN/Issues/Business/Pages/NationalActionPlans.aspx

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activities to be undertaken specifically by the Federal Government, but we believe there is also a need for a comprehensive Canadian sustainable development strategy that identifies common goals across the jurisdictional divides, reflects the activities being undertaken by all actors, identifies synergies, and exposes contradictions and overlaps. We recognize that this poses challenges. Only the Federal government, it seems to us, is in a position to provide this strategic overview.

Fostering collaboration – the Boreal Leadership Council

We believe it is important not only to recognize the range of stakeholders to sustainability, but also to encourage collaboration between stakeholders. There could be more emphasis on the value of cross-jurisdictional and cross-sectoral initiatives to address problems that transcend political and sectoral boundaries – such as the pan-Canadian climate framework. Debate on key sustainability questions all too often becomes polarized in a way that can obstruct workable solutions. We believe the Federal Government has an important role to play as a convenor and participant in multi-stakeholder initiatives on sustainability questions. As an example of collaboration, we highlight the Boreal Leadership Council (BLC),[8] a multi-stakeholder collaboration of conservation groups, First Nations, resource companies and financial institutions with a shared vision of conservation and sustainable development in Canada's Boreal Forest. As a founder member of the BLC, we believe collaborations of this kind allow stakeholders to build important relationships and focus on finding solutions. We encourage the Federal Government to consult with the BLC and other successful multi-stakeholder groups to identify opportunities to leverage and replicate their work.

Engagement with indigenous peoples

We welcome the prominent acknowledgment of Aboriginal rights within the draft and agree that indigenous peoples will be key partners in achieving the goals of the FSDS. We believe the ongoing process of reconciliation will be in itself a fundamental aspect of realizing any sustainability strategy. There is growing recognition that effective engagement with indigenous communities is not only desirable, but more and more critical to the success of Canadian business, particularly in the natural resource sectors. In particular, the concept of free, prior, and informed consent (FPIC) as articulated in the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) is emerging as the future standard for engagement.[9] We welcome Canada's unqualified support for UNDRIP and believe there is a role for the Federal Government in helping industry and indigenous communities to understand and implement the principles of FPIC. This can include supporting and enabling the efforts of organizations working collaboratively to identify best practices. In this context we would like to highlight the work done by the Boreal Leadership Council (BLC) on the operationalization of FPIC.[10] We are keen to work with all stakeholders to disseminate and further the results of BLC's exploration of FPIC.

The role of companies and investors

In considering the role of business stakeholders in sustainable development it is important, but not sufficient, to focus on the role of clean technology producers. All businesses impact or are impacted by environmental sustainability considerations, with climate change being an obvious example. In this context we would highlight the importance of progressive action and innovation in key sectors of the "traditional" Canadian economy including oil and gas, mining, forestry, utilities and agribusiness.

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[8] Boreal Leadership Council http://borealcouncil.ca/

[9] International Council on Mining and Metals (ICCM) members, several of which are Canadian, have committed to upholding the principles of FPIC: http://www.icmm.com/document/5433; while the Canadian Association of Petroleum Producers released a discussion paper in 2016 stating support for UNDRIP and the principles of FPIC: http://www.capp.ca/media/issues-and-submissions/undrip-submission

[10] Boreal Leadership Council (2012). Free, Prior and Informed Consent in Canada. http://borealcouncil.ca/publication/view/fpic-report-english/

We note that in many sustainability stakeholder identification exercises, only companies are considered. In our view, the scope of stakeholders within the business world is much wider. Specifically, the potential of the financial industry to contribute through responsible investment and lending policies is often overlooked. Investors, lenders and insurers have significant direct and indirect influence on sustainability decisions made by companies. Other important sustainability stakeholders in the business space include industry associations, professional associations, stock exchanges and securities regulators, all of which act as standard setters for sustainability practices and disclosure.

As an investment management company, our main impact on the environment and sustainable development is through our investment decision-making and engagement activities. Our ESG Program encompasses a variety of themes that are both material to investment performance and relevant for sustainable development, including climate change and the energy transition, human rights, and responsible food production. These themes influence our investment decisions, not only leading us to avoid of investment where issuers fail to meet the expectation to mitigate material ESG risks, but also to invest proactively in issuers that are oriented to benefit from sustainability, through strategies such as our NEI Environmental Leaders Fund. In addition, to effect change and expand the universe of companies eligible for responsible investment, we pursue the themes through a comprehensive program of engagement. This includes dialogue with investee companies, proxy voting based on guidelines integrating ESG issues, public policy and standards work, and participation in multi-stakeholder initiatives to address sustainability issues.

We hope this outline of our ESG program helps to illustrate the potential contribution of investors to achieving sustainability goals, and why they should be considered as stakeholders to the FSDS.

Enabling investor action - enhancing corporate disclosure on ESG issues

It is critical to responsible investment processes that issuers should provide regular updates on environmental, social and governance (ESG) topics, as well as financial information. The draft does not address the potential for the Federal Government to mandate enhancements in corporate disclosure on ESG issues, which would encourage companies to pay more attention to sustainability issues, as well as facilitating our work. Although many aspects of corporate disclosure requirements fall within the domain of the provincial securities regulators and stock exchanges, we note that the Federal Government has intervened in certain areas, such as extractives transparency disclosure.[11]

In 2014 we participated in consultations on review of the Canada Business Corporations Act (CBCA),[12] which still remains to be updated. In our submission we highlighted the scope for some aspects of ESG disclosure to be mandated under CBCA, at least for larger companies, in consultation with securities regulators and exchanges. Many publicly-traded companies already provide ESG reporting on a voluntary basis, and there are precedents for mandating such disclosure at larger companies. In Canada, corporations under the Bank Act, the Insurance Companies Act and the Trust and Loan Companies Act are required to publish Public Accountability Statements including information on specified corporate responsibility matters.[13] Under the U.K. Companies Act Section 417, larger publicly-traded companies must publish a Directors' Report Business Review including information on environmental, social and employee issues.[14] In 2014 the European Union adopted a directive on

[11] Extractive Sector Transparency Measures Act (S.C. 2014, c. 39, s. 376) http://laws-lois.justice.gc.ca/eng/acts/E-22.7/page-1.html
[12] NEI Investments (2014) Re: Consultation on the Canada Business Corporations Act https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2014/NEI%20comments%20CBCA%20Review.pdf
[13] Public Accountability Statements (Banks, Insurance Companies, Trust and Loan Companies) Regulations SOR/2002-133. http://laws-lois.justice.gc.ca/eng/regulations/SOR-2002-133/FullText.html
[14] Companies Act 2006. http://www.legislation.gov.uk/ukpga/2006/46/section/417

disclosure of non-financial information applying to companies with over 500 employees.[15] Creating requirements for both listed and large privately-held companies to report on key corporate responsibility issues of interest to stakeholders would help to create a level playing field so that companies are not discouraged from listing by the additional reporting requirements.

It has already been clarified by both the Canadian Securities Administrators (CSA) and the Toronto Stock Exchange (TSX) that "material" ESG information must be disclosed by listed companies. For continuing listing, according to the TSX Company Manual, companies should follow CSA National Instrument 51-102 *Continuous Disclosure Obligations*. In 2010, CSA published Staff Notice 51-333 *Environmental Reporting*[16] which confirmed existing requirements to report on environmental issues. In its *Primer for Environmental and Social Disclosure*[17] TSX highlighted these requirements, noting that they apply equally to material social issues. It also emphasized the obligation under the timely disclosure policy to immediately disclose material environmental and social information through a news release. Interpretations of materiality vary, however, and company decisions on which issues to report could vary depending on this interpretation. A further concern is that companies may fail to disclose data consistently from year to year if a topic is not considered a material issue in a particular year. We value annual reporting on a consistent set of indicators as this allows us to perform trend line analysis, as well as to compare companies across sectors.

Wherever companies are required to provide emissions and pollution release information on their facilities to a Federal inventory or database, providing the option to search and consolidate data by parent issuer could help investors and investment research providers to incorporate information into their analysis. We need to be able to access to ESG data at the level of the entity issuing the financial instruments in which we are invested (for example, a listed company in the case of our equity holdings). Considerable effort is required from the data user to aggregate data unless a unique identifier for the issuer is included at the source of input and made available as a search term. Making it quicker and easier for investors and investment research providers to associate emissions and pollution data with specific investees creates added incentive for those companies to prioritize pollution management and reduction measures, potentially leading to improved environmental outcomes.

Cross-cutting priorities – effective environmental regulation and "big picture" approaches

Review of environmental regulation

We welcome the decision to undertake reviews of environmental assessment processes and recent changes to environmental laws. NEI is a Sustaining Member of the Canadian Responsible Investment Association (RIA). In June 2012 RIA's predecessor organization wrote to the Government of Canada to express concerns about changes to the Federal environmental regulatory system that were introduced within Bill C-38. These included changes to the Canadian Environmental Assessment Act (CEAA), the National Energy Board Act, the Fisheries Act, the Canadian Environmental Protection Act (CEPA) and the Species at Risk Act (SARA). We also raised concerns in our submission to the consultation on the previous FSDS draft. In the context of the reviews, we would like to reiterate several points made in these earlier letters.

We believe demonstrating Canada's commitment to environmental protection and sustainable development is important to the economy, on several levels: ensuring market access for Canadian

[15] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095
[16] CSA (2010). Staff Notice 51-333: Environmental Reporting Guidance http://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20101027_51-333_environmental-reporting.pdf
[17] TMX/CPA (2014). A Primer for Environmental and Social Disclosure https://www.tsx.com/resource/en/73

products; securing social license for Canadian companies operating internationally; and attracting responsible long-term investment in Canadian companies by international investors. We believe this is especially important for our natural resource companies, which make up an important part of the Canadian investment universe. Like most institutions in the responsible investment space in Canada, we have holdings in selected oil and gas, forestry and mining companies, and therefore have a strong interest in their long-term value. We also recognize that the projects they undertake can have significant environmental and social impacts and risks.

We believe that strong, effective and efficient environmental regulation supports the efforts of responsible companies to create long-term sustainable value for shareholders and other corporate stakeholders. Natural resource projects in particular often have long investment horizons, with planning, construction, operation, decommissioning and reclamation taking place over several decades. If the environmental and social impacts of development are not understood, acknowledged and mitigated in a timely fashion, over the long term the companies involved may be exposed to risks and a resulting increase in their cost of capital. Potential risks can include operating restrictions, reputational damage, erosion of the social license to operate, and litigation on health impacts or breach of Aboriginal rights.

It is not in the interest of responsible long-term investors – the type of investors that we believe the Government of Canada would prefer to invest in this country - that the regulatory system should allow or encourage companies to take risks with environmental management. It is, however, in the interest of those investors that the regulatory system should reduce uncertainty about the environmental impacts of projects, and reward companies that demonstrate leadership in reducing impacts and incorporating best practices.

Efforts to eliminate duplication and unnecessary delay in the assessment of projects are welcome, but streamlining efforts that are perceived (rightly or wrongly) to weaken environmental protection, may damage Canada's reputation in the investment community, and have the opposite effect to that intended. Institutional investors may have holdings in hundreds of companies from dozens of home jurisdictions involved in thousands of resource projects in countries worldwide. Country risk is a key consideration for many responsible investors, with part of that analysis relating to whether a country's regulatory system reduces uncertainty and contributes to the mitigation of long-term risks. Canadian and international investors have expressed concern about the quality of environmental regulation, for example in the context of the oil sands.[18] International oil companies are being pushed by some investors to divest of oil sands assets that are seen as more environmentally risky than conventional oil and gas projects.[19]

There is a growing understanding that climate change poses significant risk to long-term investors.[20] At the same time, an international campaign has emerged urging investors to divest fossil fuel companies.[21] The investors following this call have responded in a variety of ways: some are divesting all companies engaged in the production of fossil fuels; others are developing "low-carbon" portfolios that dramatically reduce direct exposure to these companies.[22] This trend in investment decision-

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[18] NEI Investments (2011). Implementation of a World-Class Monitoring System for the Oil Sands Region. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2011/Oil%20Sands%20Monitoring%20Implementation_Investor%20Letter.pdf; NEI Investments (2012). Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2012/Oil%20Sands%20Monitoring%20Plan%20-%20Investor%20Letter.pdf

[19] In recent years Statoil, BP and Royal Dutch Shell have all faced calls to divest of oil sands assets, including shareholder proposals at their AGMs.

[20] The Global Investor Statement on Climate Change has over 400 signatories representing over US$24 trillion in assets under management: http://www.iigcc.org/files/publication-files/11DecemberGISCC.pdf

[21] Fossil Free: Divest from Fossil Fuels. http://gofossilfree.org/

[22] The Portfolio Decarbonization Project is an initiative of institutional investors committed to "decarbonizing" their portfolios. http://unepfi.org/pdc/

making is likely to become more pronounced as an increasing number of institutions adopt responsible investment mandates. Of concern to Canadian companies is that oil sands have been identified by campaigners as a high-carbon, high-cost source of production that should be targeted for early divestment. A robust regulatory system (including climate-specific regulations) is important to counter this perception of Canadian oil.

We see merit in efforts to streamline decision-making timeframes and regulatory effort on lower risk projects, but the best outcome for some high-risk projects is that they should not happen at all. In those cases, it is desirable that the decision to reject the project should be made in a relatively short timeframe so that capital can be freed up for investment in alternatives that create value and jobs with less risk.

Regional Strategic Environmental Assessment

We believe the FSDS should address the Federal Government's role in promoting cross-cutting, "big picture" sustainability approaches that address multiple sustainability themes and the cumulative impacts of development, such as regional strategic environmental assessment (RSEA). It is difficult to see how the cumulative impacts of development on a region can be addressed effectively through project-by-project environmental impact assessment (EIA) relating to the individual projects proposed by individual companies, and then only targeting projects for which EIA is required. In regions where many development projects are operating and planned, sustainability requires that they be considered in context so that efforts can be made to optimize environmental, social and economic outcomes. RSEA provides this strategic assessment of development options.

The Canadian Council of Ministers of the Environment (CCME) defines RSEA as *"a process designed to systematically assess the potential environmental effects, including cumulative effects, of alternative strategic initiatives, policies, plans, or programs for a particular region."*[23] RSEA differs from EIA in that it considers a range of future development scenarios in order to ensure that current and future planning leads to the most desired outcomes, rather than the most likely ones. A defining feature of RSEA is that it places the assessment of cumulative effects at the centre of the process, with key decisions resting on the analysis of cumulative effects. The results of RSEA are then used to inform subsequent project-specific EIAs, leading to a more effective and efficient process for project proponents and other stakeholders. Ultimately, RSEA can lead to increased certainty for companies developing projects, and for their investors.

We note that several provinces are working to implement cumulative impact frameworks, most notably in areas with significant cumulative impacts from energy development.[24] We believe there is a role for the Federal Government in supporting these initiatives and encouraging broad sharing of learning, so that provinces can benefit from the experience of their peers. Further, we suggest incorporating RSEA to the Canadian Environmental Assessment Act as well as encouraging its integration to provincial EIA processes.

Monitoring environmental impacts

In addition to regional-level assessments, the Federal Government can contribute to regional-level monitoring of environmental impacts. In particular, there is a need for baseline studies that will allow

[23] Canadian Council of Ministers of the Environment (2012). *Regional Strategic Environmental Assessment in Canada: Principles and Guidance.* http://www.ccme.ca/assets/pdf/rsea_in_canada_principles_and_guidance_1428.pdf

[24] For example the Alberta has signalled its intention to move to a cumulative effects management system: http://aep.alberta.ca/lands-forests/cumulative-effects/cems-transformation-in-alberta.aspx, and BC is likewise working towards the implementation of a Cumulative Effects Framework: http://www2.gov.bc.ca/gov/content/environment/natural-resource-stewardship/cumulative-effects-framework

the cumulative impacts of development to be tracked. In this context we highlight the important role played by the Federal Government in establishing the environmental monitoring system for the oil sands region.

We have led initiatives by Canadian and international investors in support of enhanced oil sands environmental monitoring, submitting comments to the 2011 public consultation held by the Alberta Environmental Monitoring Panel (AEMP),[25] and later writing to both the Federal and Alberta Governments to call for timely implementation of the recommendations of the AEMP recommendations and the Environment Canada Integrated Oil Sands Monitoring Plan.[26] We note the results of the three-year external review of the Canada-Alberta Joint Oil Sands Monitoring plan (JOSM), which largely indicated that good progress has been made on environmental monitoring of the oil sands region.[27] We once again commend both governments for collaborating on the implementation of an expanded and scientifically-credible monitoring system, and find it encouraging that all the recommendations of the external review were accepted. We hope that, once these recommendations are implemented, JOSM can provide a model for monitoring cumulative impacts in other areas of intensive resource development.

A key aspect of the oil sands monitoring system is transparency, which is critical to create public trust in environmental monitoring and ensure that Canadian companies are recognized globally as operating under a world-class environmental regulatory regime. We therefore support transparency on research results, regardless of the findings, for all Federal Government-sponsored environmental research. As well, we believe the scientists should be able to discuss their research. In this light, we commend the announcement that Federal scientists will be allowed to speak freely to the public and media about their work.[28]

Goal 1: Taking Action on Climate Change

We believe mitigating climate change risk should be an imperative for all Canadian investors regardless of which sectors of the economy they invest in. Investors focused on long-term financial returns face significant risks from climate-related impacts. Further, we believe investors bear a responsibility to actively address climate change through investment decision-making and engagement with companies in their portfolio. However, enhancements to current Canadian policy and regulation are also needed to spur the energy transition and hasten the shift to investment in low-carbon activities.

Canada's action or inaction on climate change is material for us, as an institution with significant exposure to the Canadian markets. As such, we have prioritized engaging with Canadian policy makers at the federal and provincial levels to demonstrate the investor demand for robust climate change strategies.

In our submission to the consultation on the previous FSDS draft we highlighted the economic imperative for a Canada-wide price on carbon, and our belief that Canadian competitiveness (the energy sector included) would be harmed in the absence of credible carbon policy. We had expressed

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[25] NEI Investments (2011). Re: World Class Environmental Monitoring for the Oil Sands Region. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2011/Investors%20Oil%20Sands%20Monitoring.pdf

[26] NEI Investments (2011). Re: Implementation of a World-Class Monitoring System for the Oil sands Region. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2011/Oil%20Sands%20Monitoring%20Implementation_Investor%20Letter.pdf; NEI Investments (2012) Re: Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2012/Oil%20Sands%20Monitoring%20Plan%20-%20Investor%20Letter.pdf

[27] Joint Canada/Alberta Implementation Plan for Oil Sands Monitoring (2016). Assessing the Scientific Integrity of the Canada-Alberta Joint Oil Sands Monitoring (2012-2015) http://aemera.org/wp-content/uploads/2016/02/JOSM-3-Yr-Review-Full-Report-Feb-19-2016.pdf

[28] Statement from the Minister of Innovation, Science and Economic Development on Communicating Science. http://news.gc.ca/web/article-en.do?nid=1019659

these views previously to both the Alberta and Federal Governments.[29] Today, we believe the rationale for carbon pricing has only become more compelling.

2015 was a year of significant movement on carbon pricing and climate change policy in Canada, with policy action announced largely at the provincial level. We provided comments to public consultations in Alberta, British Columbia and Ontario.[30] In each jurisdiction we highlighted the importance of ensuring that whatever form policy took, it must include some form of carbon pricing mechanism and should directly incent innovation. Every effort should be made to align policy with these principles across Canada.

The Federal Government should also consider how it can leverage investor influence to drive the energy transition. As an investment institution engaging companies on climate change for over a decade, NEI can attest to the influence investors can and do have on corporate ESG performance. As noted earlier, corporate engagement is fundamental to our ESG approach and we have been able to effect real change. But our experience has also alerted us to the challenges that can hinder investors seeking to drive ESG performance improvements. Meaningful disclosure on issuer strategies to identify and address climate risk is essential for investors, both to facilitate smart capital allocation decisions and to engage effectively in order to push companies to improve. The current quality of corporate climate disclosure is uneven at best. It is difficult for investors to assess and compare companies on their carbon management strategies and performance, when disclosure on these issues is non-existent for large portions of the market.

The Federal Government should take into account initiatives currently underway within the responsible investment space that could enable investors to be active participants in the energy transition. The Financial Stability Board (FSB) will be releasing the results of the Task Force on Climate-Related Financial Disclosure in late 2016. We submitted comments to the FSB consultation[31] and look forward to the outcome, which we expect to be an important contribution to the mitigation of systemic climate risk within the financial system. We believe securities regulators across the globe will seek to integrate the results into disclosure frameworks. While recognizing the jurisdictional boundaries, nevertheless we ask the Federal Government to do what it can to encourage securities regulators in Canada to mandate "comply or explain" disclosure expectations on material risks and opportunities relating to climate change, noting the special role of the Ontario Securities Commission in guiding disclosure by all TSX-listed companies.[32]

Target 1.1 National Leadership on Climate Change
We welcome the prominence given to climate change leadership in the FSDS draft, and strongly agree that it is a priority for any discussion of sustainability. The Federal Government's adoption of the Paris

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[29] NEI Investments (2013). Renewing the Specified Gas Emitters Regulation. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2013/NEI%20Comments%20on%20Specified%20Gas%20Emitters%20Regulation.pdf

[30] Alberta: NEI Investments (2015). Renewing Alberta's Climate Change Framework. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2015/Alberta%20Climate%20Change%20Advisory%20Panel%20-%20Renewing%20Alberta%27s%20Climate%20Change%20Framework.pdf BC: NEI Investments (2015). Comments on the Climate Leadership Discussion Paper. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2015/BC%20Climate%20Action%20Secretariat%20-%20Comments%20on%20the%20Climate%20Leadership%20Discussion%20Paper.pdf NEI Investments (2015) Comments on the Climate Leadership Plan Consultation. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2016/BC%20Climate%20Action%20Secretariat%20-%20Climate%20Leadership%20Plan%20Consultation.pdf; Ontario: NEI Investments (2015). Climate Change Discussion Paper. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2015/Ontario%20Climate%20Change%20Consultation%20-%20NEI%20Comments.pdf

[31] NEI Investments (2016). Comments on the Task Force on Climate-Related Financial Disclosure's Phase II Questions. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2016/Financial%20Stability%20Board%20Task%20Force%20on%20Climate-Related%20Disclosure%20-%20Phase%20II%20Consultation.pdf

[32] More detailed comments on the "comply or explain" approach can be found in our above-mentioned submission to the Ontario Government: https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2015/Ontario%20Climate%20Change%20Consultation%20-%20NEI%20Comments.pdf

Agreement and the corresponding goal of limiting global average temperature rise to below 2°C will be the base upon which Federal and provincial efforts are built.

Growing investor interest in climate change risk is particularly marked in the Canadian context, given our resource-oriented economy. In 2015 we co-authored a letter to the Alberta government, signed by global investment institutions with over $4.6 trillion in assets under management, supporting robust climate change policy.[33] This illustrates the significant international investor interest in Canadian climate policy. In the long term, whether that policy is seen as substantive and effective will impact opinion in the capital markets on Canada's attractiveness as an investment destination. We believe this is a significant risk, but also an opportunity.

In the course of recent provincial climate consultations several jurisdictions have taken the step of creating multi-stakeholder advisory boards consisting of experts from industry, finance, civil society, academia and Aboriginal communities.[34] The Federal Government could consider this model as it works to develop and implement climate policy actions that are ambitious yet broadly-supported.

<u>Climate targets</u>

All Canadians will be impacted by Canada's success or failure in meeting the Paris targets. As a Canadian firm invested broadly across the domestic economy, we see material risk to our portfolio if Canada falls behind international efforts. In our view the Canadian energy sector has already been negatively affected by earlier perceived policy inaction, and we anticipate that the reputational impact of failing to meet current commitments would be felt across more than just the energy sector. Concretely, we are concerned that in the longer term Canadian firms could be penalized in international trade if efforts to mitigate climate risk are found wanting. As such, we welcome the commitment to work with the provinces to ensure a pan-Canadian framework for climate change.

While the overarching national targets under the Paris Agreement are understood, we support the current emphasis in the FSDS draft on working with the provinces to create specific reduction targets across the economy. Tracking performance against reduction goals is a critical task that will be central to ensuring targets are achieved. The Federal Government is ideally positioned to provide transparent accounting of progress.

It will be important for the Federal Government to work with different economic sectors so that their contributions to Canada's emission profile and their possible pathways to the 2°C target are explored and better understood. We are not suggesting that the Federal Government should tell specific sectors how to meet the target. Rather, we believe the Federal Government can assist in creating detailed scenario analysis to help various economic actors choose the most efficient and cost-effective pathway forward. This kind of research would also help investors to mitigate climate-based risks in their portfolios.

While the scientific evidence on anthropogenic climate change is overwhelming and to a large degree publicly available, there is a lack of peer-reviewed information on the risks to corporations (and their investors) from the expected outcomes of climate change and the implications of climate policy, especially in light of the 2°C target. Given the role of fossil fuel production in the Canadian economy, there are special risks for Canadian companies and their investors that bear deeper investigation if we

[33] NEI Investments (2015). Renewing Alberta's Climate Change Framework. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2015/Premier%20of%20Alberta%20Collaborative%20Investor%20Letter.pdf

[34] For example, Alberta created the Alberta Climate Leadership Panel: http://www.alberta.ca/documents/climate/climate-leadership-report-to-minister.pdf, while BC formed a Climate Leadership Team: http://www2.gov.bc.ca/gov/content/environment/climate-change/policy-legislation-programs/climate-leadership-team

are to achieve a smooth transition to a low-carbon economy. We encourage the Federal Government to support research and forums for discussion that will further understanding of the specific risks and opportunities facing Canadian companies and investors.

Financing the energy transition

Canadian companies have traditionally not performed well on innovation, but it seems clear that future prosperity depends on how effectively innovation-based cultures can be stimulated.[35] We note with interest the commitment to create a Low Carbon Economy Trust, and to invest in green infrastructure and clean technologies. We agree there is a role for the Federal Government in stimulating innovation in clean technologies, in particular for early stage research and development that could otherwise face challenges raising capital. We believe this can best be achieved by ensuring that Federal, provincial and, where applicable, international initiatives work together to achieve optimal outcomes.[36] Effort should be made to identify key funding gaps and commercialization roadblocks that are not currently being addressed by private actors. It is unclear from the draft whether the Federal Government is considering near-term investment in infrastructure and technologies intended to significantly lower the carbon footprint within the traditional resource industries (such as mining, oil and gas, and forestry). We believe that efforts in this area should be a priority, especially in the energy sector, alongside efforts to incent the development of a low-carbon energy system.

We note the growing market (and support) for green bonds and climate bonds, both within Canada and globally.[37] We believe green bonds can play a growing role in stimulating the energy transition and encourage the Government of Canada to explore deeper involvement in this area. In 2014 Ontario issued the first provincial green bond, which was strongly embraced by investors, being more than four times oversubscribed. However, retail investors had limited access to this offering, consistent with the global experience for green and climate bonds. The secondary market for green bonds is decidedly shallow. Despite the rapid growth of the green and climate bond market, it is still relatively difficult for investors to get exposure to this asset class. The Federal Government has a role to play in both increasing the access to high quality green bonds and in ensuring that standards around green bond issuance are credible, robust and transparent.

Carbon pricing

We believe Canada needs to implement meaningful, economy-wide carbon pricing that will make low-carbon investments more attractive over time. With several provinces now implementing a price on carbon, we believe there is a role for the Federal Government to ensure that all jurisdictions across the country are utilizing some form of carbon pricing. However, care should be taken to ensure that setting the floor for a price on carbon does not limit the ceiling. We are concerned, for example, that setting a federal backstop price that is too low could dissuade provinces from establishing more ambitious and more stringent carbon pricing frameworks. In order to be effective, any policy must encompass future carbon price increases.

While we strongly support a price on carbon as the centrepiece of any climate strategy, we do not take a position on which specific type of pricing mechanism the Federal Government or the provinces should adopt. However, we agree with the International Monetary Fund that any mechanism should be

[35] Conference Board of Canada. How Canada Performs. http://www.conferenceboard.ca/hcp/details/innovation.aspx

[36] For example, Sustainable Development Technology Canada (SDTC) is a well-established program (https://www.sdtc.ca/en), while Alberta's Climate Change and Emissions Management Corporation (CCEMC) is a good example of how funds from a carbon-pricing system can be used to directly stimulate new technologies (http://ccemc.ca/). Ensuring that these entities work collaboratively should be a priority.

[37] Investor Statement re: Green Bonds & Climate Bonds (2014). http://www.neiinvestments.com/documents/PublicPolicyAndStandards/2014/Investor%20Statement%20on%20Green%20Bonds%20and%20Climate%20Bonds%2020141211.pdf

credible, flexible, broad-based and equitable.[38] We would stress that being equitable does not necessarily mean having the same rules or objectives regardless of the sector. Equitable treatment would allow for recognition of the unique characteristics of different sectors and their ability to transition to a low-carbon economy. Further, care should be taken to ensure that, at the individual level, carbon-pricing policies are equitable and minimize adverse impacts on vulnerable populations. We highlight the work of the Ecofiscal Commission and its focus on policies that increase the cost of negative externalities (such as carbon emissions) while reducing the overall regulatory and tax burden, with particular attention for impacts for low-income individuals and families.[39] We believe this approach warrants serious consideration.

While not advocating for a specific price level for carbon, we can share a perspective from our engagement practice on carbon pricing levels in general. For several years we have been asking energy companies in our funds to perform shadow carbon pricing on their projects to mitigate the risk that these investments could become stranded in a future with a significant price on carbon. This practice has become an industry norm among major oil and gas companies. A recent study by Sustainable Prosperity found that energy companies operating in Canada were utilizing an average shadow carbon price range of C$15-68/tonne.[40] While this was a study of just ten companies, the findings are in line with our own experience. Namely, companies do not disclose any significant material impacts from carbon pricing within this range.

Boreal conservation

The Canadian Boreal Forest stores an estimated 208 billion tonnes of carbon – almost 300 times Canada's 2012 GHG emissions.[41] We believe any credible Canadian climate policy must include a tangible commitment to preserve this key store of carbon. The FSDS draft does not make explicit mention of this important emissions mitigation measure. We encourage the Federal Government to engage with organizations such as the Boreal Leadership Council (BLC) to build momentum towards a national Boreal strategy in line with the BLC's Boreal Forest Conservation Framework.[42] Critical to the success of any Boreal conservation strategy will be meaningful consultation and participation of local First Nations and Métis communities.

Target 1.2 Resilience to Climate Change

We support the continuing focus in the FSDS draft on climate change adaptation, as it is increasingly clear that some level of change is now locked in to the climate system. Adaptation concerns are already impacting companies in our holdings: from insurance companies experiencing increased losses from weather-related events, to mining companies making additional investments to engineer tailings containment to handle increased frequency and intensity of flooding events. Responsible companies are taking steps to adapt, but there are significant costs in the short term. Enhancing regulation and standards with adaptation in mind can create a level playing field.

We encourage the Federal Government to play a role in developing and mandating climate adaptation standards for projects and activities exposed to physical risk from climate change. The adaptation strategies in the draft do not directly address revising infrastructure standards and permitting to take into account climate adaptation risks, and there is no specific mention of key sectors such as the resource industries or real estate in the adaptation context.

[38] International Monetary Fund (2016). Factsheet: Climate, Environment and the IMF. http://www.imf.org/external/np/exr/facts/enviro.htm
[39] Ecofiscal Commission http://ecofiscal.ca/
[40] Sustainable Prosperity (2013). Shadow Carbon Pricing in the Canadian Energy Sector. http://www.sustainableprosperity.ca/sites/default/files/publications/files/Shadow%20Carbon%20Pricing%20in%20the%20Canadian%20Energy%20Sector.pdf
[41] Canadian Boreal Initiative (2009). The Carbon the World Forgot. http://www.borealbirds.org/sites/default/files/pubs/report-full.pdf
[42] Canadian Boreal Conservation Framework. http://borealcouncil.ca/wp-content/uploads/2015/03/Framework-2015ENG.pdf

We agree with the strategic priority of ensuring credible research on potential impacts of climate change is available in order to guide adaptation planning and decision making. We note that while water resource management is raised later in the FSDS draft under Target 4.10, no direct link is made between climate adaptation goals and water management goals. Considering the seriousness of water-related climate change impacts, from flooding to water scarcity, we believe this topic should have more prominence in the adaptation strategy discussion. Water impacts have significant implications for planning, permitting and retrofitting of infrastructure and indirectly for risk reduction in the insurance industry.

Target 1.3 Sustainable Energy
We support the focus on creating a sustainable energy system and believe the Federal Government has a clear role in advancing a Canadian Energy Strategy. There is increasing investor interest in sustainable energy opportunities. Greater collaboration among the provinces on infrastructure, research and development, and in sharing implementation experiences, will be critical for optimizing the efficiency and efficacy of the energy transition and will ultimately provide more certainty for investors looking to allocate capital to this sector.

The FSDS draft does not explicitly address the development of emission reduction and energy efficiency technologies for the non-renewable energy sector. The oil and gas sector is the single biggest contributor to Canadian GHG emissions today and is projected to become an even bigger contributor over the next 15 years.[43] We believe the Canadian Energy Strategy must include a focus on reducing the impacts of the fossil fuel production and use that is inevitable in the near- to mid-term. Innovation is required across the energy sector – both renewable and non-renewable.

We would also note that numerous remote communities, many of them Aboriginal, are underserved by our current energy system, relying on relatively "dirty" energy sources (e.g. diesel generators). Many of these communities are too small to provide a viable market for private, for-profit energy entities, absent significant incentives or subsidies. This speaks to the potential for the Federal Government and the provinces to be active partners in supporting innovative clean energy projects in these communities. In this context, we also point to the need to develop capacity within Aboriginal communities to manage clean energy projects. The Federal Government should build upon existing efforts in this area and specifically consider supporting the 20/20 Catalysts Program.[44]

The FSDS draft is also silent on potential social license challenges associated with the energy transition. The pace and scale of development required will inevitably create tension with other land uses and values. Consideration should be given to how best to avoid social license challenges in the development of renewable energy similar to that that have often delayed traditional resource projects. Once again, this speaks to the imperative for cumulative effects frameworks (such as regional strategic environmental assessments) developed in concert with Aboriginal communities.

Goal 2: Clean Technology, Jobs and Innovation

Target 2.1 Clean Technology and Green Infrastructure
We support the emphasis on clean technology and green infrastructure and note the growing investor interest in opportunities of this kind. More than 400 investors representing over US$24 trillion in AUM

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[43] Government of Canada (2016). Canada's Second Biennial Report on Climate Change.
http://unfccc.int/files/national_reports/biennial_reports_and_iar/submitted_biennial_reports/application/pdf/canadas_2nd_biennial_report.pdf
[44] 20/20 Catalysts Program http://indigenouscleanenergy.com/2020-catalysts-program/

are signatory to the 2015 Global Investor Statement on Climate Change, which among other things commits investors to "identify and evaluate low carbon investment opportunities."[45] The International Energy Agency estimates that in order to meet the global goal of limiting climate change to 2°C we will need to invest US$28.5 trillion in low-carbon technologies and energy efficiency over the next 20 years.[46] A significant investment opportunity is emerging in this space and the Federal Government should consider how policy can optimize the ability of Canadian companies to benefit.

However, regarding publicly-traded companies, investors need to exercise caution in shifting capital to clean tech companies. Excessively rapid growth in investment in nascent sectors could create a "low-carbon bubble" of over-valued companies that are unable to make effective use of capital to create long-term sustainable value. This would be detrimental both to the stability of the financial system and the development of low carbon industry. Instead, we would hope to see a steady expansion of the pool of investment-grade opportunities in the clean tech space. As such, we believe the Federal Government should prioritize funding and other support for early stage research and development, and as noted earlier efforts should be made to identify key funding gaps and commercialization roadblocks not currently addressed by private actors. The Federal Government's support of Mission Innovation aligns with this approach.

It is somewhat unclear from the draft if technologies to reduce emissions from fossil fuel production are considered to be "clean tech" in the context of the FSDS. We reiterate that this sector is projected to be the most significant contributor to Canada's GHG emission profile, and that efforts to reduce its emissions should be a priority.

Target 2.5 Sustainable Aquaculture
Aquaculture has strong sustainability potential, but some aspects of the industry have become the focus of considerable environmental opposition, such as salmon farming in British Columbia. From an investment perspective this controversy creates reputational risk in the short term, and uncertainty as to whether the issues that are raised may eventually lead to regulatory action that could impact the value of the companies concerned. As in the case of other industries facing social licence challenges, we stress the importance of research transparency, which is critical to build public trust.

Target 2.6 Sustainable Forest Management
We believe that a sustainable forestry industry will be a key part of the future low-carbon economy. In this context we once again highlight the work of the Boreal Leadership Council (BLC).

Addressing the risk of increasingly intense forest fires will be of critical importance to sustainable forest management in the future. Target 1.2 (*Resilience to Climate Change*) acknowledges the need for a pan-Canadian approach to managing weather-related impacts of climate change. Explicit reference could be made to collaboration across provincial boundaries to develop management strategy for wildfires.

Target 2.7 Sustainable Agriculture
We are pleased to note that agricultural sustainability is addressed directly in the FSDS draft, as we had identified this as a gap in our submission to the previous consultation. The draft focuses largely on the better management of agricultural land. We would also emphasize the important role the Federal Government can play in sustainability standard-setting within the agricultural value chain, helping to

[45] Global Investor Statement on Climate Change http://www.iigcc.org/files/publication-files/11DecemberGISCC.pdf
[46] International Energy Agency (2014). World Energy Outlook – Special Report. https://www.iea.org/publications/freepublications/publication/WEIO2014.pdf

create a level playing field for producers and enhancing the reputation of Canadian agricultural products in international markets.

Pollinators are vital to a productive and sustainable agricultural system, and there is emerging investor interest in understanding and addressing the risks associated with decline in both wild and managed pollinators.[47] In her 2015 Fall Reports, the Commissioner of the Environment and Sustainable Development highlighted potential concerns relating to the impact of neonicotinoid pesticides on pollinators, and slow progress in assessing the safety of these pesticides.[48] We therefore query the absence of reference to pesticides and pollinators in the FSDS draft, either under this target or under Target 5.6 (*Chemicals Management*).

In the longer term, we encourage the Federal Government to consider the topic of animal welfare as a further aspect of agricultural sustainability. The investment community is paying increasing attention to risks and opportunities relating to the treatment of farm animals, as evidenced by the Business Benchmark on Farm Animal Welfare, which is supported by investment institutions representing some UK£1.2 trillion in AUM, including NEI.[49] The Federal Government can play an important role in standard setting in this area, which we believe will become an increasingly important factor for access to markets. In this context, we have taken note of the Federal Government's support for the multi-stakeholder National Farm Animal Care Council (NFACC) process for Codes of Practice on the care and handling of farm animals across Canada.[50]

Target 2.8 Sustainable Mineral Resource Development
We support the Federal Government commitment to invest in research and development on sustainable mining practices and technologies. Tailings management research is one area where Federal support would have broad benefit to the industry and help to mitigate a material risk, and as such we believe this topic deserves particular focus.

We also support the emphasis on encouraging collaboration between industry and other stakeholders to drive innovation. As noted earlier, traditionally Canadian companies have underperformed on innovation, yet future prosperity depends on stimulating innovation-based cultures. The Canadian Oil Sands Innovation Alliance (COSIA) is a potential model for collaboration to drive environmental innovation.[51] Through COSIA, member companies are pushed to share both intellectual and financial capital to resolve environmental performance issues which, if left unaddressed, will impact the entire industry, regardless of individual company performance. We would argue that the mining industry faces a variety of environmental challenges that could be addressed more effectively within a collaboration model similar to that of COSIA.

It is difficult to isolate environmental sustainability from social sustainability in this sector. In 2014 the Federal Government undertook a review of *Building the Canadian Advantage: a Corporate Social Responsibility Strategy for the Canadian International Extractive Sector*, during which we drew

[47] Principles for Responsible Investment. "Why investors will feel the sting from pollinators' decline." https://www.unpri.org/news/why-investors-will-feel-the-sting-from-pollinators-decline
[48] Office of the Auditor General of Canada (2015). Fall 2015 Reports of the Commissioner of the Environment and Sustainable Development: Report 1 – Pesticide Safety. http://www.oag-bvg.gc.ca/internet/docs/parl_cesd_201512_01_e.pdf
[49] Business Benchmark on Farm Animal Welfare (2016). Investor Statement on Farm Animal Welfare. http://www.bbfaw.com/media/1435/investor-statement-on-farm-animal-welfare.pdf
[50] National Farm Animal Care Council http://www.nfacc.ca/
[51] Canadian Oil Sands Alliance www.cosia.ca

attention to the need to implementing the recommendations of the National Roundtables on Corporate Social Responsibility and the Canadian Extractive Industry in Developing Countries.[52]

Regarding collaboration with key sector initiatives, we encourage the Federal Government to consult with the Initiative for Responsible Mining Assurance (IRMA),[53] a multi-stakeholder collaboration to improve the environmental and social performance of mining operations by developing an independently verified responsible mining assurance system.

Goal 3: National Parks, Protected Areas and Ecosystems

Target 3.1 Species at Risk

In our submission to the previous FSDS consultation, we drew particular attention to protection of caribou. Aside from the inherent value of this iconic species, from our investor perspective, given the special significance of caribou for many Aboriginal communities in the Boreal, failure to put in place an adequate protection regime could lead to treaty rights-based legal challenges with potential to impact projects by resource companies. In this context we highlight the recent commitments to caribou habitat conservation made by government and industry in Alberta, and recommend that the Federal Government work with all the provinces to disseminate best practices in habitat conservation and restoration.[54]

Goal 4: Freshwater and Oceans

Target 4.10 Water Resource Management

The sustainability and security of surface water and groundwater resources is a key priority. From an investor perspective there is growing recognition that water quality and quantity issues are a material risk for various industries.[55] Effective water resource management can provide assurance to investors that these risks are being mitigated. Of particular concern in Canada is the degree to which extractive industries both rely on access to water, and potentially impact its quality. Baseline monitoring of water quality and quantity is essential: in particular, groundwater modelling appears to be a weakness, and as a result development is moving ahead in key resource plays despite the absence of critical information about groundwater resources, creating uncertainty for investors. Therefore, we suggest the need to improve mapping of groundwater resources in areas of high industrial activity (e.g. shale-gas resource plays) should be highlighted.

Our concern at the lack of regional, cumulative effects assessment in areas of high extractive industry activity also extends to watershed management. Efforts are underway to develop watershed-based assessments and development planning, and we understand that several companies are exploring watershed-level management frameworks to guide their operations. The Federal Government can play a role in ensuring lessons learned from these initiatives are shared between jurisdictions.

Goal 5: Human Health, Well-being and Quality of Life

Target 5.5 Environmental Emergencies

We welcomed the steps already taken to enhance crude-by-rail safety after the Lac-Mégantic disaster, and support prioritizing further measures to reinforce railway safety. However, no mention is made of

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[52] NEI Investments (2014). Corporate Social Responsibility Strategy Review. https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2014/CSR%20Strategy%20Review%20comments.pdf

[53] Initiative for Responsible Mining Assurance http://www.responsiblemining.net/

[54] See the Government of Alberta announcement of its caribou habitat recovery plan: http://aep.alberta.ca/fish-wildlife/wildlife-management/caribou-management/caribou-action-range-planning/documents/AlbertaCaribouActionPlanFS%202016.pdf; and the announcement by Cenovus Energy of its voluntary program to reclaim old seismic lines: https://www.cenovus.com/news/news-releases/2016/06-14-16-Cenovus-announces-$32-million-caribou-habitat-initiative.html

[55] Ceres (2015). An Investor Handbook for Water Risk Integration. https://www.ceres.org/resources/reports/an-investor-handbook-for-water-integration

the need to collaborate with U.S. authorities, despite the cross-border character of the rail industry. Efforts have been made to align legislative requirements between the two countries, but gaps and misalignments have arisen, for example in the timeline for implementation of new tank car requirements. As far as possible future regulatory changes should be pursued in tandem with the U.S. to ensure that rail companies face the same strong requirements on either side of the border.

Safe transportation of oil and gas by pipeline is not addressed in the FSDS draft. We take this opportunity to highlight the lack of comparable pipeline safety statistical data in Canada, which makes it difficult to compare the safety rates of pipeline operators, or individual pipelines, against peers. Different safety performance metrics are used for pipelines regulated by provincial jurisdictions, the National Energy Board, and the U.S. regulator. We believe the transparent disclosure of comparable data would enable stakeholders to identify problematic operators and pressure them to improve performance, as well as allowing investors to better assess company risk profiles.

Contact

In conclusion, we would like to commend the Government of Canada for seeking input on the Federal Sustainable Development Strategy. We would be glad to engage further on any of the issues covered in this submission. For follow-up, please do not hesitate to contact Michelle de Cordova, Director, Corporate Engagement & Public Policy (mdecordova@neiinvestments.com, 604 742 8319).

Sincerely,
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