

October 14, 2016

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**Re: Consultation on Cyber Security**

We are writing in response to the Federal consultation request on Cyber Security. Specifically, we would like to provide input in relation to Trend 2 - 'The Increasing Economic Significance of Cyber Security' - within the consultation document.<sup>1</sup>

With approximately \$6 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.

We appreciate the opportunity to provide input on Canada's future in an evolving digital landscape. From an investor perspective the economic and social significance of cyber security is clear: data breaches represent a material financial risk that can negatively affect company value, in addition to representing a social risk that can negatively affect a company's reputation and the privacy and security of customers and other stakeholders.

The consultation paper asks how companies can be encouraged to adopt better cyber security regimes. Publicly-traded companies should take into account that, increasingly, investors will be seeking to integrate risks and opportunities relating to cyber security into their analysis of companies, and to their engagement with companies in their holdings.

We would like to take this opportunity to bring to your attention an international investor initiative on this topic. NEI is a signatory to the United Nations-supported Principles for Responsible Investment (PRI),<sup>2</sup> an international investor network representing some U.S. \$59 trillion in assets. The PRI's goal is to advance the practice of responsible investment and support signatories to incorporate ESG issues into their investment practices. We are participating in the recently-established PRI Advisory Committee on Cyber Security, tasked with enhancing signatories' understanding of investment risks and opportunities associated with cyber security and developing a strategy for engaging the corporations within our holdings on this topic. Areas of focus include: cyber security developments; which sectors and what types of data are most at risk; corporate awareness, preparedness and post-breach management; board-level cyber governance; corporate disclosure; due diligence; and regulatory developments. As outputs from the work of the Advisory Committee become available, we will be glad to share them.

As further evidence of the increasing significance of this issue to investors, we would like to highlight the recently-published Canadian Securities Administrators (CSA) Staff Notice 11-332<sup>3</sup> on Cyber

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<sup>1</sup> <https://www.publicsafety.gc.ca/cnt/cnslttns/cbr-scrct/cbr-scrct-en.pdf>

<sup>2</sup> <https://www.unpri.org/>

<sup>3</sup> [https://www.osc.gov.on.ca/documents/en/Securities-Category1/sn\\_20160927\\_11-332-cyber-security.pdf](https://www.osc.gov.on.ca/documents/en/Securities-Category1/sn_20160927_11-332-cyber-security.pdf)

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Security, promoting cyber security awareness, preparedness and resilience in Canadian capital markets and encouraging better disclosure by issuers. We note also the ongoing developments and debate at the U.S. Securities and Exchange Commission (SEC) on this topic<sup>4</sup>. In a keynote address at the Investment Company Institute 2016 General Meeting, SEC Chair Mary Jo White referred to cyber security as 'one of the greatest risks facing the financial services industry'.<sup>5</sup>

Please do not hesitate to contact us if you have any questions in relation to this submission.

Sincerely,  
**NEI Investments**



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Rosa van den Beemt, ESG Analyst, NEI Investments

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<sup>4</sup> <https://www.sec.gov/spotlight/cybersecurity.shtml>

<sup>5</sup> <https://www.sec.gov/news/speech/white-speech-keynote-address-ici-052016.html>