



August 31, 2017

Agriculture and Agri-Food Canada
1341 Baseline Road
Ottawa, Ontario K1A 0C5

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Sent by email: FoodPolicy-PolitiqueAlimentaire@Canada.ca

Re: A Food Policy for Canada

We are writing in response to the consultation on developing a Food Policy for Canada.¹ We welcome the Government of Canada's focused attention on this important issue.

As a Canadian investment management company with approximately \$6 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies can mitigate risk and take advantage of emerging business opportunities by integrating best environmental, social and governance (ESG) practices into their strategies and operations. 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.

In preparing the Food Policy, we encourage the Government of Canada to take into account institutional investors as a stakeholder group in achieving its vision for health, environmental, social and economic goals related to food. There has been rapid growth in the adoption of responsible investment approaches incorporating consideration of ESG factors. In 2015 Canadian responsible investment assets reached C\$1.5 trillion, and represented 38% of the Canadian investment industry.² Globally, over 1,500 investment institutions representing more than US\$68 trillion in assets under management are signatories to the Principles for Responsible Investment (PRI), a global collaboration to advance the practice of responsible investment.

Responsible investors can support and influence companies in the food and agriculture space through investment decision-making and corporate engagement. In our responsible investment program, we follow a "farm-to-fork"³ approach considering environmental and social risks impacting companies at all levels of the food value chain, including agricultural inputs, agricultural production, food processing and manufacturing, food distribution and food consumption – as well as waste throughout the food system. Enhancing the productivity and sustainability of food systems also presents significant investment opportunity.⁴

¹ <https://www.canada.ca/en/campaign/food-policy.html>

² <https://www.riacanada.ca/trendsreport/>

³ <https://www.neiinvestments.com/documents/Research/Farm%20to%20Fork.pdf>

⁴ For example, the NEI Environmental Leaders Fund, sub-advised by Impax Asset Management, is based on the theme of resource optimization, including considerations relating to food & agriculture and waste.

<https://www.neiinvestments.com/pages/landing/environmental-leaders/>

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Overall, we would like to emphasize the important role the Government of Canada can play in safety and sustainability standard-setting within the food value chain, helping to create a level playing field among companies and enhancing the reputation of Canadian food products in international markets. A further cross-cutting consideration is that Canada sources food globally, and it would therefore be appropriate for the Food Policy to take into account human rights and environmental issues in the international supply chain.

We highlight below several food-related issues and initiatives that are attracting increasing investor interest, and where there may be potential for Federal policy intervention. We encourage the Government of Canada to consider these issues as it drafts the Food Policy.⁵

- **Pollinators:** There is emerging investor interest in understanding and addressing systemic risks associated with decline in both wild and managed pollinators, which are vital to a productive and sustainable agricultural system.⁶ In particular, investor concern has focused on potential impacts of neonicotinoid pesticides on pollinators. In this context, we noted that in her 2015 Fall Reports, the Commissioner of the Environment and Sustainable Development highlighted concerns relating to the impact of neonicotinoid pesticides on pollinators, and slow progress in assessing the safety of these pesticides.⁷ We understand that Health Canada's Pest Management Regulatory Agency is targeting completion of the pollinator risk assessments for agricultural neonicotinoids by December 2017.⁸
- **Water as an agricultural resource:** Given the critical importance of water availability for sustainable agriculture, we highlight the significant and growing investor interest in water issues. The CDP is an international, not-for-profit organization that runs a global disclosure system that enables companies and regions to self-report on key environmental data. CDP includes a module on water disclosure (CDP Water) that is supported by investors with assets of over \$67 trillion. The CDP recognizes agriculture as a 'high impact sector' for water risk.⁹ This aligns with the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures (TCFD) that identified the agriculture sector as a key sector exposed financially to climate-related water risks.¹⁰
- **Farm animal welfare:** The investment community is paying increasing attention to safety and reputational risks and opportunities relating to the treatment of farm animals. NEI is one of 19 investment institutions representing some UK£1.5 trillion in assets participating in collaboration in support of the Business Benchmark on Farm Animal Welfare, an initiative encouraging major global food companies to strengthen their approach, management systems and processes on farm animal

⁵ We raised some of these issues in the 2016 consultations on the Federal Sustainable Development Strategy: <https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2016/Environment%20and%20Climate%20Change%20Canada%20-%20Federal%20Sustainable%20Development%20Strategy%202016-19.pdf>

⁶ 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>

⁷ http://www.oag-bvg.gc.ca/internet/docs/parl_cesd_201512_01_e.pdf

⁸ <https://www.canada.ca/en/health-canada/services/consumer-product-safety/reports-publications/pesticides-pest-management/factsheets-other-resources/neonicotinoid-pesticides-bee-health/update-2017.html>

⁹ 2016 CDP Global Water Report, <https://www.cdp.net/en/research/global-reports/global-water-report-2016>

¹⁰ Implementing the Recommendations of the Task Force on Climate Related Financial Disclosures, <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Annex-062817.pdf>

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welfare.¹¹ Canadian companies Loblaw and Restaurant Brands were added to the 2016 iteration of the Benchmark. The Government of Canada has an important role in standard setting on animal welfare, which we believe will become an increasingly relevant factor for access to markets.

- **Sustainable aquaculture:** Aquaculture has strong sustainability and food security 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 regarding potential regulatory action that could impact the value of the companies concerned. As in other industries facing social license challenges, we stress that transparency in safety and sustainability research and assessments is critical to build public trust.
- **Human rights in the supply chain:** Agricultural workers are among the most vulnerable workers globally. In this context we draw attention to the Principles for Responsible Investment engagement collaboration on labour standards in the agricultural supply chain, which is supported by investors representing US\$3.9 trillion in assets, including NEI, and which includes Canadian food retailers in its scope.¹² We also note the adoption in an increasing number of countries of legislation creating requirements for due diligence and transparency relating to human rights, child labour and modern slavery in supply chains. Although Canada has not yet enacted legislation, Canadian companies trading internationally are already confronted with the need to respond to supply chain regulation - either because legislation applies to all companies doing business in a jurisdiction, or because customers require information from suppliers for their own compliance purposes.
- **Access to nutrition:** NEI participates in the international investor collaboration in support of the Access to Nutrition Index (ATNI),¹³ a global benchmark comparing food and beverage companies' nutrition-related policies, practices and disclosures on a recurring basis. Investors with assets exceeding US\$4 trillion have signed the ATNI Investor Statement, recognizing health and nutrition as important drivers of future growth in the food and beverage sector. Although no Canadian companies are included in the benchmarking at present, ATNI's methodology may be relevant for the framing of corporate responsibilities relating to nutrition within the Food Policy.
- **Food waste:** We participated recently in the National Zero Waste Council survey on its National Food Waste Reduction Strategy.¹⁴ In this context we emphasized that we see value in the U.S. Environmental Protection Agency food recovery hierarchy: source reduction; feed hungry people; feed animals; industrial use; composting; landfill. From our perspective as an institutional investor, source reduction is likely to be associated with the greatest cost savings and the most effective use of resources by companies. Source reduction also appears to be the most effective approach for

¹¹ <https://www.bbfaw.com/news-and-events/press-release/continuing-investor-support-for-global-collaboration-on-farm-animal-welfare/>

¹² https://www.unpri.org/download_report/15277

¹³ <https://www.accesstonutrition.org/global-index/homepage-global-index>

¹⁴ <http://www.nzwc.ca/focus/food/national-food-waste-strategy/Pages/default.aspx>

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maximizing the avoidance of greenhouse gas emissions. This is an important point for investors, who increasingly view climate change as a systemic risk to portfolios.¹⁵

Contact

In conclusion, once again we would like to commend the Government of Canada for seeking early-stage input on the Food Policy. We look forward to the next stage of consultation, and would be glad to engage further on any of the topics covered in this submission, or on modalities for seeking wider responsible investment input on the Food Policy. For follow-up, please do not hesitate to contact me (mdecordova@neiinvestments.com , 604 742 8319).

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Sincerely,

NEI Investments

A handwritten signature in black ink, appearing to read 'Michelle de Cordova', written in a cursive style.

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

cc:
Board of Directors, NEI Investments
RI Executive Committee, NEI Investments
Mr. Robert Walker, Vice President, ESG Services, NEI Investments
Ms. Tishya Ballaney, ESG Analyst, NEI Investments

¹⁵ See, for example, the recently-released report of the Financial Stability Board Task Force on Climate-related Financial Disclosure. <https://www.fsb-tcfd.org/publications/>

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