

May 9, 2016

Mr. Robert Day
Senior Specialist Business Planning
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8

Sent by email to: rday@osc.gov.on.ca

Dear Mr. Day:

Re: OSC Notice 11-774 – Statement of Priorities

We are writing in response to the Ontario Securities Commission (OSC) request for comments regarding its Statement of Priorities for the financial year to end March 31, 2017.¹ We commend OSC for providing an opportunity for stakeholders to give feedback on the Statement of Priorities.

With approximately C\$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 would like to draw attention to one important issue that was not included in the Statement of Priorities, and that we believe to be relevant to the objective of advancing systemic risk oversight. Since the publication by the Canadian Securities Administrators (CSA) of Staff Notice 51-333 *Environmental Reporting Guidance*² in 2010, Canadian and global investor interest in environmental disclosure, particularly relating to climate risk, has greatly increased. We therefore encourage OSC, and ultimately CSA, to prioritize review of the quality of issuer disclosure on environmental matters and the adequacy of guidance on this aspect of reporting. This would be timely as it would allow coordination with the outputs of several important initiatives on climate disclosure:

- At the global level, the Financial Stability Board (FSB) has established a Task Force on Climate-related Financial Disclosures, which will deliver its final report and recommendations by the end of 2016.³ The Statement of Priorities references working with FSB to remain abreast of emerging risks.
- Chartered Professional Accountants Canada (CPA Canada) is undertaking work to assess and prepare guidance relating to climate-related governance and disclosure practices, also expected to be published in 2016.

As one illustration of the growing investor interest in enhanced climate-related disclosure, we highlight the shareholder proposal that we filed at Suncor Energy on strategic resilience in a carbon-constrained future, asking the company to provide ongoing disclosure to shareholders on its plans to adapt to the low-carbon energy transition. The proposal, which was supported by Suncor management, received over 98% support at the 2016 annual meeting.⁴

We welcome the continuing inclusion of board diversity among OSC priorities. Tracking compliance with the diversity disclosure requirements, as well as changes in representation of women on boards, is essential over several years to verify if the regulatory steps taken up to now are producing the desired outcome. Specifically, we encourage OSC to continue to publish detailed data from its diversity disclosure compliance reviews, as it did in November 2015.⁵ This data is extremely useful for investors seeking to engage with companies on improving diversity performance and strategy.

¹ OSC (2016). Notice 11-774 - Statement of Priorities. http://www.osc.gov.on.ca/documents/en/Securities-Category1/sn_20160310_11-774_rfc-sop-end-2017.pdf

² 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

³ FSB Task Force on Climate-related Financial Disclosures (2016). Phase I Report & Public Consultation. <https://www.fsb-tcfd.org/phase1report/>

⁴ Suncor Energy (2016). Management Proxy Circular – Schedule A. http://www.suncor.com/~media/Files/PDF/Investor%20Centre/Annual%20Reports/2015%20AR/2015%20English/6375107_Suncor%202016%20English%20Proxy%20Circular.ashx?la=en-CA

⁵ OSC (2015). Detailed Data on Women on Boards and in Executive Positions. <http://www.osc.gov.on.ca/en/49543.htm>

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Our perspective on the value of diversity embraces not only gender but also other attributes such as ethnicity, aboriginal status, sexual orientation and disability, as well as representation of different age groups. In addition, we advocate for companies to recruit directors with wider diversity of experience and expertise, including on environmental, social and governance issues that are material to the business. Over the longer term, we would encourage OSC to expand its diversity focus to address other aspects of identity diversity, as well as diversity of experience. We would also like to reiterate the suggestion made in our earlier submissions that, in addition to addressing diversity at the board and senior executive level by incorporating diversity content to the corporate governance framework, the OSC might explore the diversity issue at other levels of the company within the context of continuous disclosure obligations under National Instrument 51-102. Diversity could be considered alongside other potentially material social issues such as human rights and aboriginal relations, which were not addressed during OSC's 2010 sustainability reporting initiative.

In addition to the comments above, we would like to direct OSC's attention to the submissions by the Canadian Coalition for Good Governance (CCGG), focusing on shareholder democracy issues; and by the Responsible Investment Association (RIA), relating to environmental and climate-related disclosure.

Once again, we commend OSC for providing this opportunity to comment on its priorities. If you have any questions relating to this submission, please do not hesitate to contact Michelle de Cordova, Director, Corporate Engagement & Public Policy (mdecordova@neiinvestments.com, 604 742 8319).

Sincerely,
NEI Investments



John Kearns
Chief Executive Officer



Robert Walker
Vice President, ESG Services

CC:
Michelle de Cordova, Director, Corporate Engagement and Public Policy, NEI Investments
Jamie Bonham, Manager Extractives Research and Engagement, NEI Investments
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