

July 18, 2016

Sent by email: NRCan.NEBModernization-ModernisationONE.RNCan@Canada.ca

Re: National Energy Board Modernization Expert Panel: Draft Terms of Reference

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We are writing in response to the request for comments on the draft terms of reference for the Expert Panel on the modernization of the National Energy Board. We believe that an effective, efficient and credible National Energy Board is absolutely crucial to the long-term sustainability of the Canadian energy sector and welcome the Federal Government's attention to this important issue. We recently raised the need for a credible approach to environmental policy in our submission to the Federal Government's consultation on the Federal Sustainable Development Strategy 2016-2019.¹

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.

In regard to the draft terms of reference for the expert panel, we believe the suggested mandate, timeline and procedures are all sound. We look forward to the panel's contribution to modernizing the National Energy Board.

The role of companies and investors

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.

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 products; securing social license for Canadian companies; 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. As such, the modernization of the National Energy Board will be an issue of material interest for investors.

We recommend that the expert panel consider investors a key stakeholder group as it works to fulfill its mandate. If the Federal Government or expert panel would like to convene investors for the purposes

¹ <https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2016/Environment%20and%20Climate%20Change%20Canada%20-%20Federal%20Sustainable%20Development%20Strategy%202016-19.pdf>

of providing feedback we would certainly be willing to play a role. We have convened investors for many related consultations in the past.²

Contact

In conclusion, we would like to commend the Government of Canada for the decision to modernize the National Energy Board and we support the terms of reference for the panel's mandate. 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 me at [REDACTED]

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Sincerely,
NEI Investments



Jamie Bonham
Manager, Corporate Engagement

cc:
Michelle de Cordova, Director, Corporate Engagement & Public Policy

² Most recently, in April 2016 we were a leading investor for a US\$3.6 trillion AUM statement supporting the Canada/US commitment to reduce methane emissions from the oil & gas sector: <https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2016/Investor%20Statement%20on%20Methane.pdf>; and in September 2015 we co-led a CAN\$4.6 trillion AUM investor letter to the Alberta government supporting its efforts to create a robust and credible climate change strategy: <https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2015/Premier%20of%20Alberta%20Collaborative%20Investor%20Letter.pdf>