Suncor Energy Inc.

Sector: Energy
Website: www.suncor.com
Funds: NEI Ethical Balanced Fund
NEI Ethical Canadian Equity Fund *

COMPANY OVERVIEW

Suncor Energy Inc. is Canada's largest integrated energy company, focused on development of the Athabasca oil sands.

KEY ISSUES

Oil sands
GHG emissions, climate policy and energy transition
Unburnable carbon and stranded assets

Q1 2015

In November 2015 we took part in Suncor's stakeholder panel to provide input on the company's proposed sustainability goals.

We also met with the company in November and December 2015 to continue our dialogue on enhancing disclosure on plans for a low-carbon future. We commended the company for its proactive participation in Alberta climate policy development, including submissions to the Alberta climate change advisory panel and vocal support for the implementation of a robust policy. In November 2015, the CEO of Suncor was one of four energy company leaders who stood alongside Premier Rachel Notley as she announced Alberta's new climate change framework. The companies expressed support for a robust climate policy agenda, including a cap on oil sands emissions.

Q1 2015

In January 2015 we met with the CFO of Suncor to discuss the company's orientation to innovation and the risk that the recent sector downturn would impact its investment in this area. In particular, we discussed the company's strategy for diversifying into low-carbon opportunities. The company indicated that it did not foresee impact from the downturn, as innovation and technology development by nature require a long-term perspective, and efforts in this area cannot be stopped and restarted without significant negative consequences. We also discussed the company's support for Canada's Ecofiscal Commission, which aims to identify market-based policies to encourage sustainable economic activity and reduce pollution.

Q4 2014

In October 2014 we met with Suncor to discuss technology development and future carbon pricing disclosure. The company has realigned its approach to technology development to ensure it is more strategic and efficient. We urged the company to consider how it can utilize strategic technology investments to diversify the company's future revenues, particularly in the context of low carbon technologies. The company would consider this idea, but also stated that currently most technology development is aimed at reducing the impact of its oil sands operations. Regarding carbon scenario planning disclosure, the company indicated that it would expand on the disclosure it has already provided in response to our previous request. The company plans to provide more nuanced discussion on assessment of future carbon risks based on multiple scenarios.

In December 2014 the company responded to our earlier letter in which we provided feedback on the executive compensation framework. The company indicated that it would consider our input.

Q3 2014

We wrote to the board in September 2014 to explain our rationale for voting against Suncor's executive compensation package at the 2014 AGM. We have been engaging the company on executive compensation for a number of years. While we continue to see improvement in the way the company links executive compensation to ESG performance, we raised concerns about compensation disparity given the magnitude of the CEO's 2013 pay.

Q2 2014

In April 2014 we met with Suncor to provide feedback on the development of new environmental performance goals for the company. We urged the company to consider setting goals for the reduction of greenhouse gas (GHG) intensity and for the establishment of new renewable energy projects. As well, we expressed the view that water continues to be a key ESG issue for the company, and that any new corporate-wide targets should address water use.

In May 2014 we met with representatives of the company to follow up on Suncor's commitment to disclose carbon pricing scenario planning for the recently-sanctioned Fort Hills oil sands project. The company indicated that it plans to disclose detailed information on the scenario planning in its next sustainability report.

As well, we urged the company to consider increasing the visibility and scale of its commitment to support innovative new energy technologies. We encouraged the company to continue to invest in diversifying its energy assets, to ensure it is utilizing current cash flows to gain a strong foothold in the energy market of tomorrow. The company has set up internal teams to assess these opportunities and anticipates that it will collaborate with peers and companies in other industries to develop them further. The company agreed that it could do more to highlight its work in this area to investors, and indicated that that it would consider our request to enhance this aspect of its business.

We have been engaging oil and gas companies for several years on the importance of providing disclosure on their public policy positions. From our perspective, Suncor now provides disclosure that sets an example of transparency for the industry. In particular, the company expresses support for setting a price on carbon.

2013

In April 2013 we provided feedback to Suncor on its sustainability disclosure strategy, encouraging the company to increase disclosure on lobbying activities and submissions to government consultations.

In May 2013 we wrote to Suncor's CEO, asking the company to actively support the implementation of a significant price on carbon in Canada. In its response, the company agreed with our premise that Canada requires a price on carbon in order to stimulate innovation and drive efficiency.

We were able to vote for Suncor's executive compensation package for the first time at the 2013 AGM, as the company had adopted many of the suggestions we raised in earlier dialogue. We wrote to the board in July 2013 to convey our appreciation of the changes and suggest further improvements. The chair of the compensation committee responded to thank us for our feedback.

We met with the company in October 2013 to discuss further the issues raised in our May carbon pricing letter, and reiterated our concern that the industry would face continued opposition if it did not support a more progressive climate policy in Canada. We also raised the company's exposure to the risk of stranded assets in a carbon-constrained future. The company indicated that it has been exploring these questions and agreed to consider options for future disclosure on how it is mitigating risk. We shared examples of how leadership could be demonstrated in this area.

We met with the company in November 2013 to follow-up on its commitment, in response to a shareholder proposal withdrawn in 2010, to provide detailed carbon shadow pricing on new oil sands projects. The company noted that Fort Hills was the first new project to be sanctioned since our agreement and committed to discussions on how to fulfill the obligation.

* Corporate engagement dialogues target the holdings of Ethical Funds. Dialogues may start, pause or resume as holdings are purchased and sold. Holdings are subject to change and there is no guarantee at the time of reading engagement updates that any company referenced is a current holding of Ethical Funds.