

# Northwest & Ethical Investments L.P.

SUBJECT: **Rationale for Supporting Shareholder Proposal**  
COMPANY: **Viterra**  
SYMBOL: **VT (TSX)**  
AGM DATE: **March 10, 2010**

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This Proxy Alert provides background and rationale for supporting a Shareholder Proposal to Viterra, submitted by Ethical Funds, a division of Northwest and Ethical Investments L.P. (NEI).

## **Proposal**

The shareholder proposal requests that:

*The Board of Directors provide a report to shareholders by September 2010, prepared at reasonable cost and omitting proprietary information, describing how Viterra is assessing the impact of climate change on the corporation, the corporation's plans to disclose this assessment to shareholders, and, if applicable, the rationale for not disclosing such information in the future through annual reporting mechanisms such as the Carbon Disclosure Project.*

## **Our Rationale**

*The Carbon Disclosure Project (CDP), representing 475 institutional investors and \$55 trillion USD in assets, sends an annual survey to Canada's largest 200 corporations requesting that companies disclose their climate change strategies. Over 77 percent of Canadian companies, by market capitalization, responded to the CDP questionnaire in 2009. Viterra, however, did not. Viterra has also failed to disclose climate change-related information in its regulatory filings.*

*Corporate disclosure of climate change risks and opportunities, strategies and GHG emissions inventories are essential for investors looking to assess the strengths and weaknesses of corporate securities. The filers of this proposal are concerned that Viterra, like other agricultural businesses, faces both regulatory and physical climate change-related risks. Global food and feed production levels will be affected by climate change as floods, droughts, severe storms, adverse weather conditions increase, all of which have the potential to impact the viability of crops, and therefore Viterra's business model.*

*In 2007, the Intergovernmental Panel on Climate Change's Fourth Assessment Report stated that, between 1970 and 2004, agriculture contributed 13.5% of total anthropogenic global greenhouse gas (GHG) emissions. The report also stated that there was significant mitigation potential in the forest and agriculture sectors. Corporations that choose to proactively address GHG emissions and consider the risks of climate change will be better positioned for a carbon-constrained future.*

*In February 2008, the Ontario Securities Commission issued Staff Notice 51-716 to provide guidance on what issuers should be disclosing regarding environmental matters. The staff notice came after the OSC reviewed a sample of issuers and found environmental disclosure inadequate. The OSC reaffirmed that environmental risks are material to investors and that audit committees have fiduciary responsibility to review such disclosures while providing oversight of the underlying risk control framework.*

*In November 2008 the Canadian Institute of Chartered Accountants (CICA) published “Building a Better MD&A: Climate Change Disclosures”, highlighting the need for disclosure of climate-related risk more specifically. The CICA states that ‘...sooner or later climate change will affect, either directly or indirectly, the business operations and financial performance of many Canadian companies, large and small, in most sectors.’*

*As an agri-business company, Viterra is both affected by climate change and has direct and indirect impacts on climate change. Despite this exposure, investors are not provided with sufficient information on the risks and opportunities associated with climate change or on corporate strategies for risk mitigation.*

### **Viterra’s Response**

Viterra management recommends against the resolution pursuant to the following considerations:

- Management acknowledges the significance of the issue as well as the potential for business implications to the company and has been in discussions with NEI with respect to their proposal.
- Viterra has an internal team developing a company-wide strategy for addressing climate change issues related to risks, opportunities, measurement, and reporting.
- The NEI Resolution asks for a report to shareholders by September 2010 “...describing how Viterra is assessing the impact of climate change on the corporation, the corporation’s plans to disclose this assessment to shareholders...in the future...”. Given that Viterra is developing a company-wide strategy on this issue, management asserts that the September 2010 timeline is too early for such a report and will not allow the Company to provide information in a meaningful way for the following reasons:
- With Viterra’s new expanded geographic and organizational scope (the Company’s acquisition of ABB Grain only closed on September 23, 2009), there are significant measurement and technical issues to resolve in order to provide meaningful data comparable across the company (e.g., organizational and operational boundaries, determination of a standard measurement protocol, data management system implications, method of public disclosure). We will be working to resolve these issues through 2010.

### **NEI’s Arguments**

#### **1. Viterra is lagging its competitors, the industry and regulators in recognizing and addressing the issue of climate change**

The filers of this proposal acknowledge the climate change-related information published in the 2010 proxy circular. Here, for the first time, the company acknowledges the potential for climate change-

related risks and claims it has established an internal team now working on a climate change strategy. This is the first such disclosure for this company for which it should be lauded.

It must be emphasized that Viterra is one of 3,000 companies globally that was sent the Carbon Disclosure Project (CDP) questionnaire in 2009. In 2009, 77% of Canadian companies, by market capitalization, and 81% of the Global 500 responded to the CDP. The issues addressed by the questionnaire, are of direct relevance to investors and are incorporated into investment decision-making.

Unfortunately, Viterra has failed to commit to a timeline for future disclosure of risk and risk mitigation strategy stating only that “September 2010 is too early to provide meaningful information for Shareholders”,

NEI and Viterra have had several discussions about the content of this proposal. In those discussions, Viterra voiced concern about the September 2010 timeline. While NEI believes there should be more urgency around this issue given industry and regulatory speed on these issues, NEI offered to withdraw this proposal if Viterra agreed to further disclosure around climate change risks and opportunities in 2011, either in the Annual Report, a stand-alone Corporate Responsibility Report, or through a response to the Carbon Disclosure Project Viterra was unable to commit to this extended timeline, and therefore the proposal stands.

The company’s inability to clearly commit to timelines for the development of a climate change strategy, brings into question the level of commitment and energy management is bringing to this plan.

NEI’s shareholder proposal simply asks the company to report *how* “Viterra is assessing the impact of climate change on the corporation, the corporation’s plans to disclose this assessment to shareholders.” Investors will note that the company’s response in the proxy circular begins to address this, however does not commit to expanding on these details in future disclosures. The NEI proposal does not ask Viterra for a full Greenhouse Gas report, or a sustainability report. Given that “Viterra has an internal team developing a company-wide strategy for addressing climate change issues related to risks, opportunities, measurement, and reporting” it is difficult to understand why the company is unable to commit to a clear timeline for disclosing the findings of this team.

## **2. The CDP offers a venue for Viterra to disclose information about climate change strategy development and risk assessment work, while noting key limitations to reporting performance data.**

While Viterra has understandable concerns about the integration of ABB Grain Ltd, and other acquisitions for the calculation of GHG data, we reiterate that the proposal is not asking for this information to be disclosed immediately. The CDP questionnaire allows for companies to document these limitations, and to disclose plans for future integration of this data.

As noted above, the NEI proposal asks that Viterra report on how the company is assessing the impact of climate change on the business, and the company’s plans for disclosure. The Carbon Disclosure Project Questionnaire seeks to obtain this information from companies, and to compile it in a database for global investors.

These investors are examining the companies in their portfolios for potential risks and opportunities related to climate change. The CDP is efficient. It allows companies to respond to a single questionnaire rather than to multiple information requests on the same topic. It also provides a centralized source of information for investors and other interested stakeholders.

### **Summary and Recommendation**

Viterra does not currently disclose any assessment of risks or opportunities related to climate change. The company was sent the Carbon Disclosure Project's questionnaire, which is backed by more than 475 investors with over \$57 trillion in assets under management, in 2009. The company did not respond. The majority of Canadian companies did.

While the company's response to this proposal, as published in the proxy circular, states that management acknowledges the importance of this issue for the business, and is developing a strategy to assess climate related risks and opportunities, the company has been unable to commit to any timeline. In dialogue with Northwest & Ethical Investments, Viterra was unable to commit to disclosing this investment-relevant information any time before the end of 2011.

We recommend a vote **FOR** this shareholder proposal.