



April 11, 2017

**Enbridge Inc.**

**Symbol:** ENB (TSX/NYSE)

**Annual Meeting Date:** May 11, 2017

## Proxy Alert

### Recommendation: **FOR** shareholder proposal at Enbridge Inc.

**Filer:** Sisters of Charity (Halifax) facilitated by  
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## Shareholder proposal on environmental and Indigenous rights due diligence

Enbridge Inc. recently acquired 27.5 percent ownership of the Dakota Access Pipeline (DAPL). The acquisition agreement was announced despite concern from Indigenous Peoples and three US Federal Agencies about the adequacy of Indigenous consultation and environmental assessment of the project. DAPL was subject to months of protest and regulatory delay as the Standing Rock Sioux supported by Indigenous Peoples, investors and the public raised alarm about the destruction of sacred sites during pipeline construction and contamination of drinking water should the pipeline leak.

In addition to DAPL, Enbridge has made a number of other recent acquisitions and has stated that acquisitions may be an important part of its growth and diversification strategy to 2019. Social and environmental due diligence is essential to assessing the full cost and benefit of an acquisition. Where risks are not adequately considered, acquisition and investment decisions can lead to reputational damage, regulatory intervention and/or financial loss.

The shareholder proposal seeks information about Enbridge's due diligence process:

*RESOLVED that the Board prepare a report to shareholders, at reasonable cost and omitting proprietary information, detailing the due diligence process used by Enbridge, its affiliates and subsidiaries to identify and address social and environmental risks, including Indigenous rights risks, when reviewing potential acquisitions. Such a report will consider:*

- *which committees, departments and/or managers are responsible for review, oversight and verification;*
- *how Indigenous rights and concerns are identified and assessed;*
- *how environmental and human rights risks are identified and assessed;*
- *which international standards are used to guide the company's human rights and environmental due diligence procedures; and,*
- *how this information informs and is weighted in acquisition decisions.*

### Vote recommendation rationale

Enbridge management responded to the proposal in its proxy circular. The crux of

management's response is a commitment to include information in the 2017 CSR and Sustainability report (published in 2018) about steps to integrate Indigenous rights and human rights sensitivities into its investment review through early identification. The filers appreciate this commitment to greater transparency; however, it fails to fully address the proposal. The proposal asks for a report detailing social and environmental due diligence procedures, including information about oversight, how risks and concerns are identified and assessed, the use of international standards to guide this process, and how the risks and concerns inform and are weighed in acquisition decisions. The limited and vague nature of management's commitment is misaligned with the importance of this issue to energy operations in North America.

A number of the banks that provided project-level loans for DAPL are now revisiting their investment screening procedures to reconsider their approach to Indigenous rights in North America. Similarly, energy companies that intend to grow through acquisitions and partnerships need to adapt their investment screening to ensure they do not acquire environmental and social risks. To be effective, this due diligence must look beyond compliance with local law to international standards and societal expectations.

### Link to full proposal:

<http://share.ca/share-proposals/environmental-and-indigenous-rights-due-diligence/>

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In the case of DAPL, several large investors and banks divested from the project after engaging with the Standing Rock Sioux Tribe, including KLP, Storebrand, Odin Fund Management, ING and DNB. Enbridge has yet to demonstrate any intention to address the environmental, cultural and rights concerns raised by Standing Rock. Failing to address these issues around DAPL, may be detrimental to Enbridge's efforts to improve relationships with Indigenous Peoples elsewhere in North America. Following the rejection of the Northern Gateway project, improving relations and demonstrating clear respect for Indigenous rights are essential. Enbridge faces potential regulatory, legal and operational obstacles to both new and existing projects if Indigenous relations are poor.

Shareholders need to send a clear signal to Enbridge that they have a strong interest in how their company assesses and addresses Indigenous rights, human rights, and environmental concerns in investment decision-making. A clear process for Indigenous rights due diligence is critical to the company's reputation and bottom-line, both in the immediate future and long term.

### **SHARE's Recommendation**

**SHARE recommends a vote FOR this proposal.**