

Responsible Investment and Capital Stewardship

NUPGE Pensions | February 4, 2017

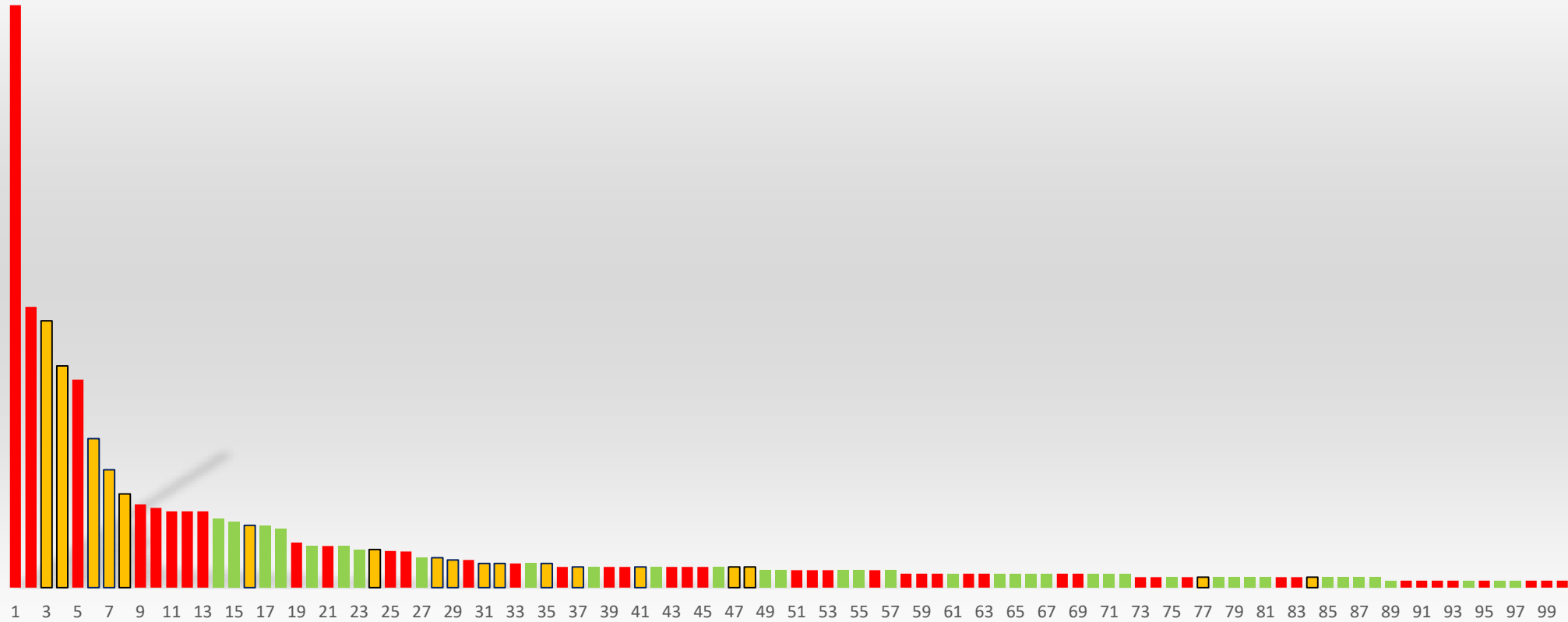




How did we get here?

- ✓ Shift to funded pensions from pay-as-you-go
- ✓ NUPGE members in five of Canada's ten largest pension plans
- ✓ \$350 Billion in plan assets (25% of Canadian total)
- ✓ Joint trusteeship: more than 35 NUPGE trustees at big plans across the country

NUPGE-related Pension Plans





Vision

- ✓ **Retirement with dignity:** Assuring adequate retirement income.
- ✓ **Deferred earnings:** Plan assets are members deferred wages.
- ✓ **Joint governance:** More information and control, better funding and investment outcomes. Shared funding.
- ✓ **Responsible investment:** Worker-friendly corporate behaviour. Asset selection considers members interests.





Trends

- ☑ **New asset classes:** Expanding beyond fixed income and equities. Real estate, private equity, infrastructure, real assets.
- ☑ **Mainstreaming:** Many large institutional investors are committing to “Responsible Investment” --- PRI, Stewardship Codes. Anticipated client demand is adding momentum. Pension plans building RI staff.
- ☑ **Legal and regulatory shift:** Guidance about fiduciary duty is shifting. ESG disclosure requirements. Europe leads, Canada lags.
- ☑ **Climate change:** Investor concern about the risks of climate change make it the leading ESG issues. Inequality a growing theme.



Challenges

- ✓ **Frozen fiduciaries:** Persisting narrow view about delivering the pension promise, ignoring ESG risks and opportunities.
- ✓ **Trustee qualifications:** Do union members have the skill and knowledge required today? Succession planning.
- ✓ **Defining responsible investment:** “We are all responsible investors”.
- ✓ **Individual savings:** Shift to DC can weaken union influence on investment practices.





Capital Stewardship in Action

- ✓ **Couche Tard:** Successful vote on child labour in the tobacco industry
- ✓ **Sports Direct:** Labour shareholders force company to deal with zero-hours contracts
- ✓ **PRI board:** election of Xander den Uyl (Trustee, ABP)
- ✓ **Labour and ESG ratings agencies:** Trade union movement critique of how ESG ratings agencies consider labour issues.





Committee on Workers Capital

- ✓ Established in 1999
- ✓ Trustees and union leadership tackle capital stewardship issues
- ✓ Trustee Network (Mike Grimaldi)
- ✓ International labour shareholder campaigns
- ✓ Annual Meeting (Fall 2017)





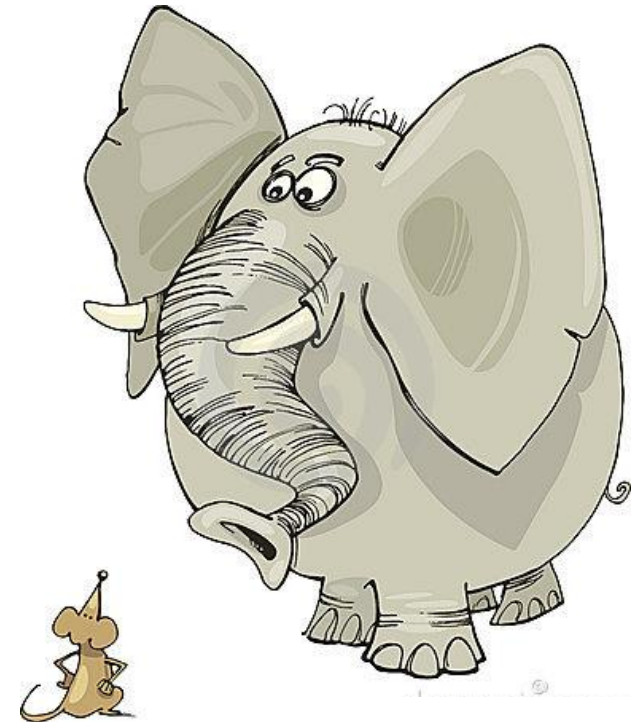
Opportunities

- ✓ **Leaders and champions:** Supporting responsible investment leaders and champions on trustee boards. Networking and education.
- ✓ **Putting the “S” in ESG:** CWC and PRI initiatives driven by labour movement.
- ✓ **Changing the rules:** Legal and regulatory reform. New guidance to “unfreeze” fiduciary duty. ESG disclosure regulations.



Opportunities

- ✓ **Focused activism:** Priority campaigns on decent work, executive pay, climate change, human rights.
- ✓ **Asset classes:** New tools for trustees. Responding to continuing infrastructure wave.
- ✓ **Small funds:** Union funds and allies create opportunities for big funds support labour rights.



Collaborating through SHARE

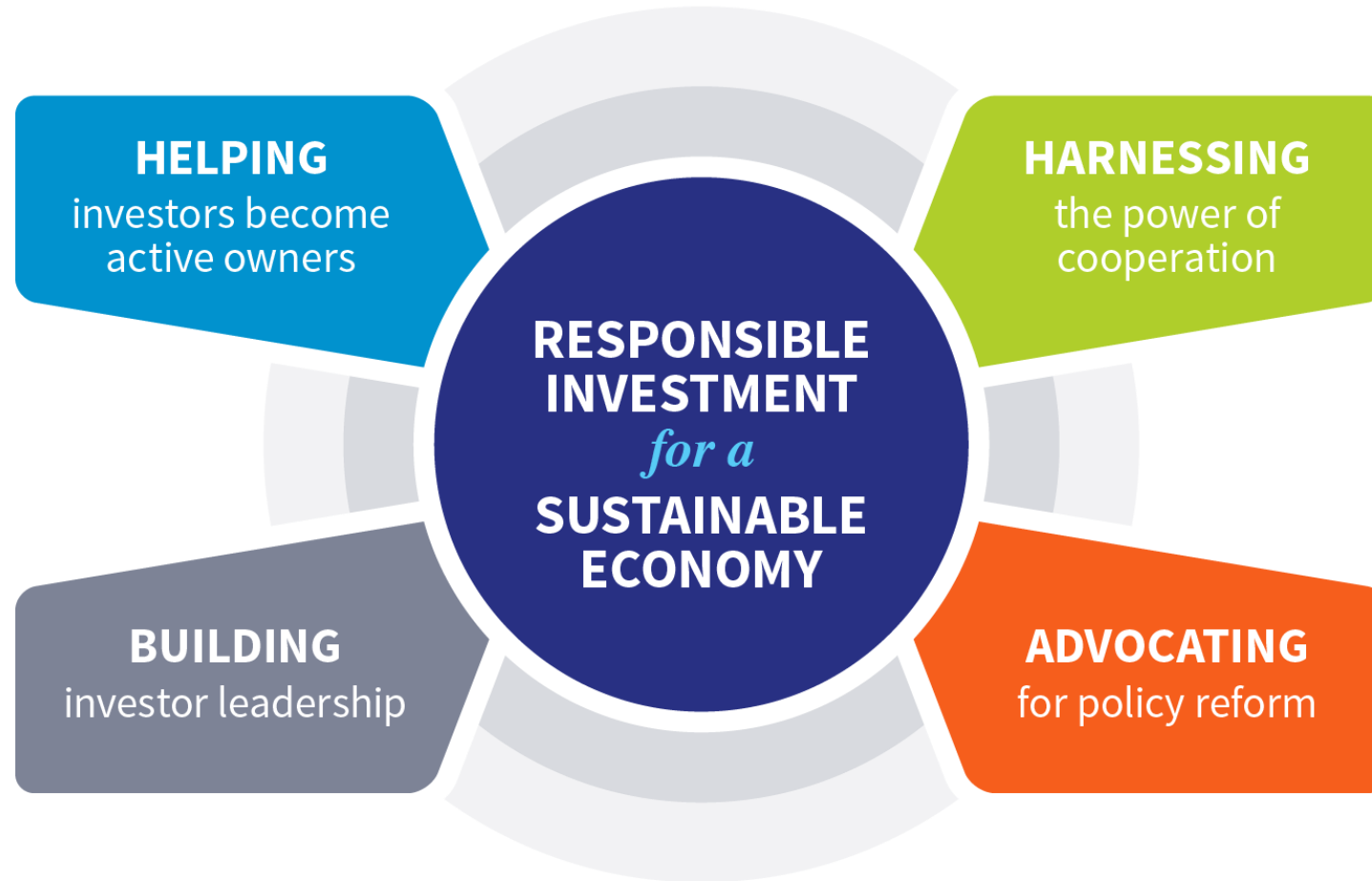
ACTIVE OWNERSHIP SERVICES

OVERVIEW





SHARE's Approach



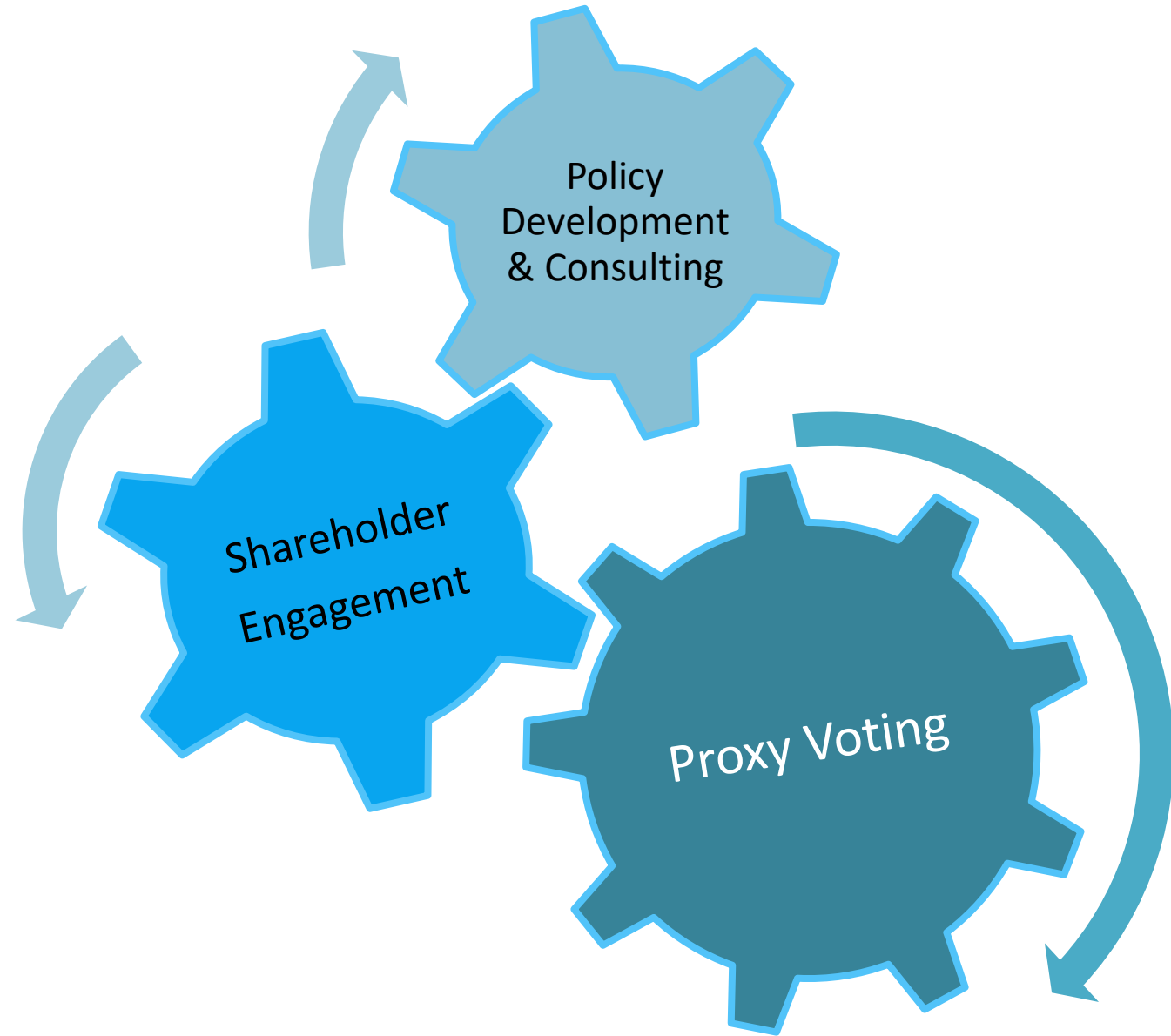


The SHARE Difference

- ✓ **Non-Profit:** SHARE's non-profit model means our staff are dedicated to serving your needs, not our profit.
- ✓ **Unionized:** SHARE is Canada's only unionized engagement and proxy voting service provider.
- ✓ **Leadership:** SHARE has been at the forefront of responsible investment education and practice for over fifteen years.
- ✓ **Collaboration:** SHARE provides responsible investment services to over 30 leading Canadian institutional investors with more than \$14 billion in assets under management.

ACTIVE OWNERSHIP SERVICES

SHARE's active ownership services help institutional investors not only to influence the companies they own but also to shift practices in the market as a whole.



How does SHARE's engagement service work?



SHARE's clients have a shared belief in the value and importance of improving corporate ESG practices

Constructive and focused dialogue with companies on ESG issues



RETAIL



TELECOM



OIL & GAS



TRANSPORTATION



FINANCIAL SERVICES



MINING

Collaboration amplifies the voices of small and medium-sized investors providing focused and well-researched attention that produces results

POSITIVE IMPACTS

SHARE's clients are helping to improve corporate ESG policies & practices thereby addressing investment risk AND benefitting the economy we all share.

SHARE engages with more than 60 companies per year on behalf of our investor clients



2017 Engagement Themes



Climate Risk



Decent Work



**Respecting
Human Rights**



**Business &
Reconciliation**



**Protecting & Preserving
Clean Water**



**Accountable &
Effective Governance**

Engaging for Impact

At SHARE, shareholder engagement is about action, not just talk. We work to convince companies to address material concerns by:

- Establishing effective oversight
- Improving management of the issue
- Measuring results, benchmarking and disclosing performance
- Setting targets for improvement
- Deepening integration into incentive plans
- Demonstrating leadership

Proxy Voting Services

Voting Service

SHARE offers a full proxy voting service to enable our clients to exercise their voting rights and influence how companies manage issues and form policy.

Customized Proxy Voting Guidelines

SHARE can help you develop customized proxy voting guidelines to ensure that your proxies are voted responsibly.

Proxy Vote Monitoring

SHARE's proxy vote monitoring service provides clients with notification, analysis and vote recommendations on key votes that matter to your fund.

Proxy Vote Auditing

SHARE's proxy vote auditing service is designed to help asset owners oversee proxy voting with greater assurance and transparency.



Policy Development & Consulting

Policy Development

SHARE works with institutional investors to develop a clear vision, framework and strategy for incorporating responsible investment into existing policies and practices.

Board Education

SHARE's educational workshops help to provide responsible investment decision-makers with the knowledge, skills, confidence and support networks they need to take action.

PRI Reporting

SHARE works with clients to help them evaluate and report their progress in implementing the six Principles for Responsible Investment (PRI).



The SHARE Difference: Our Engagement and Proxy Team



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Public Sector Pension Plans

