

Shareholder Association for Research & Education SHARE

Responsible Investment for a Sustainable Economy

Presentation at:

Institute for the Study of Corporate Social Responsibility at Ryerson University

SHARE'S MISSION: Mobilizing investor leadership for a sustainable, inclusive and productive economy

Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk, generate sustainable, long-term returns and align investors with the broader objectives of society.





ESG ISSUES



ENVIRONMENTAL

- Climate change
- Resource depletion
- Waste and pollution
- Deforestation
- Greenhouse gas
 emissions



SOCIAL

- Decent work
- Community relations
- Indigenous rights and reconciliation
- Health and safety
- Human rights



GOVERNANCE

- Executive pay
- Bribery and corruption
- Political donations and lobbying
- Board diversity
- Tax strategy

To reduce risk and enhance long-term returns

WHY RESPONSIBLE INVESTMENT To meet fiduciary duty obligations to consider all material issues including ESG issues

To support broader goals such as community economic development or clean energy To align investments with values and the expectations of beneficiaries

Responsible Investment Approaches

ASSET SELECTION: Using ESG considerations in the process of identifying the investment universe and selecting assets to include in your portfolio.

ACTIVE OWNERSHIP: Exercising your rights and influence as an investor to support improvements in corporate sustainability performance.



HOW TO BE AN ACTIVE OWNER?

VOTE

Exercise your voting rights in a responsible and coherent manner and in the best long-term interests of your fund.

ENGAGE

Communicate with companies in your portfolio to achieve improvements in corporate environmental, social and governance (ESG) performance.

ADVOCATE

Influence policies and regulations that support greater transparency, fairness, efficiency and sustainability in capital markets.

PROXY VOTING

SHARE is exploring ways to inspire, inform and empower investors through the development of new proxy voting tools and analysis. **PROXY VOTE EXECUTION** Execute votes in line with priorities and long-term interests

PROXY VOTE AUDITING Oversight of service providers

PROXY VOTE MONITORING Analysis and recommendations on key votes

PROXY VOTING GUIDELINES Clear guidance on proxy vote issues with a sustainable less



SHAREHOLDER ENGAGEMENT THEMES **2019**

CLIMATE TRANSITION

Climate risks and the low-carbon economy

RECONCILIATION

Indigenous rights and economic opportunity

DECENT WORK

Workers as the creators of company value

HUMAN RIGHTS Due diligence in global supply chains

CLEAN WATER Preventing and mitigating risks to water

ACCOUNTABILITY Good governance, diversity, fair pay

POLICY ADVOCACY CHANGING THE RULES IN CAPITAL MARKETS

SHARE, together with our clients engage with policy makers and regulatory bodies to encourage legal reforms that...

SUPPORT TRANSPARENCY for investors and companies on their ESG performance

INCREASE ACCOUNTABILIT Y of capital market actors FACILITATE CONSIDERATIO N of ESG issues by investors



CONTEXT:

Investors are asking fossil fuel companies to develop business plans that align with a 2-degree transition.

ACTION:

SHARE co-filed a shareholder resolution at Exxon-Mobil asking that the company report on the resilience of its portfolio of reserves and resources in a range of climate change scenarios including a 2-degrees warming scenario.

OUTCOME:

62.2% of Exxon investors voted for the proposal providing a clear signal that shareholders want the company to change. The company has now issued a report addressing climate risk and set new emissions reduction targets, and we are continuing the engagement alongside investors with trillions of dollars in assets.

GENDER DIVERSITY IN CANADA

TRENDS	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Total board seats occupied by women	11%	12%	14%	15%
Issuers with at least one woman on their board	49%	55%	61%	66%
Issuers with three or more women on their board	8%	10%	11%	13%
Issuers that adopted a policy relating to women on their board	15%	21%	35%	42%
Issuers that adopted targets for the representation of women on their board	7%	9%	11%	16%
Issuers with a female CEO	0	0	0	4%
Issuers with at least one female in executive officer position	60%	59%	62%	66%



CONTEXT:

Canadian issuers on the TSX are required to report annually (on a "comply or explain" basis) on their policies and status of gender diversity on the board and in senior leadership. Despite these efforts, progress on changing the makeup of corporate leadership in Canada still lags other jurisdictions.

ACTION:

In 2017 we filed a shareholder proposal at Constellation Software asking the company to develop a policy and plan to increase female representation on the board and in senior leadership – where there were no women whatsoever. 42% of shareholders supported the resolution. We re-filed the proposal in 2018, noting that the company still needed a plan, and the company's sole response was to appoint one woman to the board.

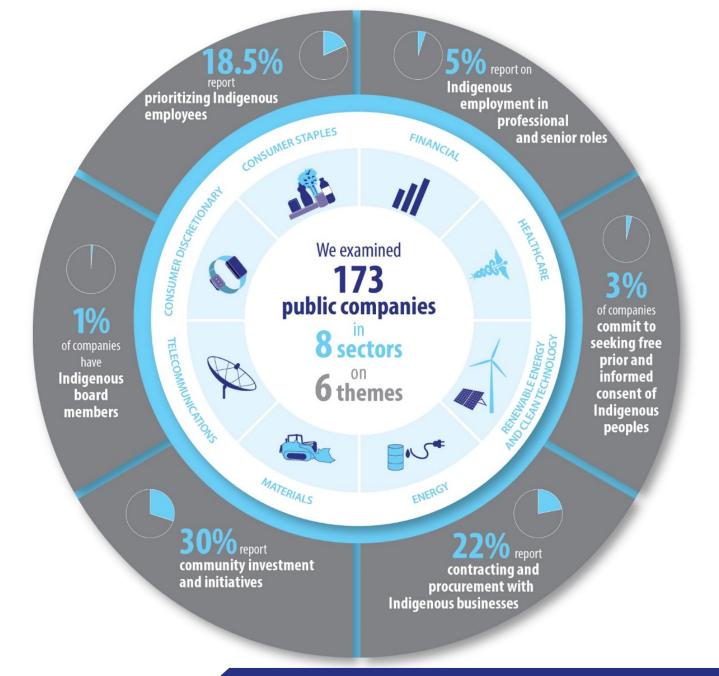
OUTCOME:

This year, more than 49% of shareholders backed our proposal, and women employees came to thank us for filing it. Constellation Software, in consultation with SHARE is developing a diversity policy and systems to address bias in appointments.



Reconciliation and Responsible Investment: How can investors evaluate the efforts of Canadian public companies?

Full discussion paper: www.share.ca/publications/







CONTEXT:

Enbridge Inc. announced that it was purchasing a significant share in the Dakota Access Pipeline just as the Standing Rock Sioux launched major protests against the project.

ACTION:

SHARE filed a shareholder proposal asking the board to report on its due diligence procedures related to environmental and indigenous rights for new investments or purchases.

OUTCOME:

The proposal received more than 30% support and the company is working with SHARE to ensure that its due diligence procedures effectively identify human rights risks before they erupt into controversies that negatively impact Indigenous communities and shareholder value. Enbridge revised its process and published a report outlining the new approach, and invited comment.

COLLABORATION

Strong partnerships help us extend our reach globally





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