

16 June 2014

Disclosure of Environmental, Social and Governance Factors  
Pension Reform Branch  
Ministry of Finance  
5th Floor, Frost Bldg S.  
7 Queen's Park Crescent  
Toronto ON M7A 1Y7

**RE: Proposal 14-MOF007 Proposed Amendment to Regulation 909 under the Pension Benefits Act: Disclosure of Environmental, Social and Governance Factors in Statements of Investment Policies and Procedures**

*Submitted via ServiceOntario website*

Thank you for the opportunity to comment on the proposed amendments to the Ontario *Pension Benefits Act* regulations to require pension plans to disclose whether or not their Statements of Investment Policies and Procedures address environmental, social or governance (ESG) factors. SHARE strongly supports this proposed amendment and commends the Ontario government for its leadership in helping create the legislative framework to support responsible investment practices. We encourage the government to adopt the recommendations of the Ontario Expert Commission on Pensions and additionally require plans to disclose how they incorporate responsible investment practices into their approach.

SHARE is a national not-for-profit organization working with institutional investors, including pension funds registered in Ontario, to promote responsible investment practices through active ownership, research and education. Our clients have assets under management of more than \$14 billion. SHARE is dedicated to improving institutional investment practices that protect the long-term interests of investors, working people, communities and society in general.

There is growing consensus in the investment community that environmental, social and governance (ESG) factors are an important component of risk management and a potential source of value creation over the long term. The National Roundtable on the Environment and the Economy concluded in 2007 that "since many environmental, social and governance factors become material only in the long-term, an obsession with short-term performance may profoundly mask the extent to which such factors can play a meaningful role in investment decision-making."<sup>1</sup> The UN Principles for Responsible Investment, an international network of

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<sup>1</sup> National Roundtable on the Environment and the Economy, "Capital Markets and Sustainability: Investing in a Sustainable Future" 2007, p.1

investors committed to integrating ESG factors into their investment practices, now has 1200 signatories representing \$30 trillion in assets under management.<sup>2</sup>

While the increasing relevance of ESG factors is clear, it is critical that the legislative environment be sufficiently supportive to help fiduciaries incorporate ESG considerations into investment analysis and risk management processes. Mandating ESG disclosure helps clarify the potential materiality of these issues for fiduciaries and encourages pension fund managers and other capital market agents to improve investment practices by integrating ESG factors into their investment analysis. Disclosure also strengthens pension plan accountability and transparency. A number of OECD countries with mature pension systems including the UK and Australia have already adopted social and environmental disclosure requirements.

We note that the Ontario Expert Commission on Pensions recommended that “plan statements of investment policy should reveal whether, **and if so, how**, socially responsible investment practices are reflected in the plan’s approach to investment decisions” (emphasis added.) We believe this recommendation should be implemented fully and, to the extent that they do so, plans should be required to provide information on how they incorporate ESG factors into their practices. This need not be onerous, but a simple “yes” does not provide sufficient information on pension plans’ approach to factors critical for their long term health.

Thank you again for the opportunity to comment. SHARE would be pleased to elaborate on any of the arguments outlined above.

Sincerely,



Peter Chapman  
Executive Director  
Shareholder Association for Research and Education

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<sup>2</sup> <http://www.unpri.org/about-pri/about-pri/>.