

**RESPONSIBLE INVESTMENT FOR FAITH-BASED INVESTORS:
TOOLS FOR ACTIVE SHAREHOLDERS**

R E P O R T

December 8, 2011 | Friends House, Toronto

Shareholder Association for Research and Engagement

INTRODUCTION

On December 8, 2011, 40 church investor representatives and resource people met in Toronto for a workshop on responsible investment for faith-based investors. This was the second in a series of events hosted by the Shareholder Association for Research and Education (SHARE). The day's program focused on the theme of tools for active shareholders, reflecting the strong desire expressed when religious shareholders gathered in 2008, that future meetings should highlight implementation. Peter Chapman, Executive Director of SHARE, welcomed participants and Frances Ryan, osu, opened the day with a prayer reflecting on the Advent season and the opportunity for the birth of something new.

WHY RESPONSIBLE INVESTMENT

A panel of four speakers spoke about their experience with responsible investment. For **Sr. Christine Gebel**, Treasurer, Our Lady's Missionaries, the contrast between the realities of life in an impoverished developing country where she had served for many years and her current responsibility for the investment of an endowment designated for supporting the Congregation's mission and providing for elder care is challenging. The endowment is invested to provide long term income and Our Lady's Missionaries have taken steps to be responsible investors; questions and challenges remain.

Alan Hall, a Trustee of the United Church of Canada Pension Plan described how the Pension Plan approaches responsible investment (including policy development, proxy voting and shareholder engagement). He noted that the Plan has recently revised and renewed its policy on responsible investment.

Peter Chapman, Executive Director of SHARE, provided an overview of church shareholder activism in Canada since 1975. He described the emerging role of the United Nations Principles for Responsible Investment, and identified some drivers for the growth of responsible investment, including climate change, water, human rights and executive compensation.

In a special video-taped presentation, **Richard Nunn**, Chair of the UK Church Investors Group, described how large and small religious investors work together in the United Kingdom. He noted that engagement by members of the Group is done individually and collectively. Some engagements are very

successful, such as a recent meeting with an international hotel group. The membership meets twice a year and a steering group meets four times per year. The group has a part-time staff person and some members also have their own in-house responsible investment staff.

RESPONSIBLE INVESTMENT IN PRACTICE

Pierre Viau, Director General, Regroupement pour la responsabilité sociale des entreprises (RRSE) described how 45 religious communities in Quebec have cooperated over the last 15 years on shareholder engagement on social and environmental issues. Among the issues RRSE is addressing are human rights and energy development in Peru (Talisman Energy Inc.) and policies to combat child sex tourism (Transat, Air Canada and Westjet).

Desmond Wilson, Director of Finance of the Sisters of Service is responsible for the day-to-day oversight of investments. The Sisters of Service have a strong commitment to socially and environmentally responsible investment and Desmond described how the SOS has refined and sharpened its SRI focus in recent years. The ability to deliver a fully integrated responsible investment service was made the primary yardstick in the recent selection of a new asset manager by the SOS. The SOS engages companies in its Canadian equity portfolio on environmental, social and governance issues as part of the group of institutional investors working the SHARE.

Laurence Loubieres, Senior Analyst at international advisory firm Sustainalytics, described the services her firm provides to investors to assist them in the integration of environmental, social and governance information in investment decision-making. Sustainalytics provides research on more than 4000 public companies, analyzing and ranking their ESG performance. Laurence outlined some of the steps faith-based investors can take to create and implement a responsible investment policy. She stressed the need to articulate the investment policy with asset management activities, access to ESG research, engagement with companies and overall reporting on these activities. This will ensure that the faith-based voice can continue to make a difference through responsible investments, as evidenced by recent achievements.

Peter Chapman described SHARE's shareholder engagement and proxy voting services. Through its non-profit model, SHARE brings together like-minded small and medium sized institutional investors, including religious investors, to collaboratively engage companies, sectors and the broader capital markets on issues such as climate change disclosure and human rights and to exercise voting rights.

ISSUES, CHALLENGES AND NEEDS

Over the lunch hour everyone was asked to post written answers to three questions on the meeting room wall. Volunteers **Moira Hutchinson** and **Henriette Thompson** organized them into groups of similar issues.

Question 1: What responsible investing and corporate responsibility issues or topics are most important to you?

- Human rights
- Resource extraction and indigenous rights
- Israel and the Middle East
- Sustainability
- Climate change
- Water usage
- Environmental Degradation
- Green Energy
- High CEO salaries
- Under-representation of women on boards
- Lack of transparency

Question 2: What are the biggest challenges you and your organization face in implementing Responsible Investment?

- Lack of organizational commitment and policy;
- Need to understand how to align mission and investment decision-making;
- Difficulty setting priorities amid complex and competing choices;
- Lack of a way to coordinate action;
- Cost of paying for research, coordination and other services (competition for scarce funds);
- Shortage of staff, volunteers and community members able to oversee collective action or to implement responsible investment individually;
- Concerns from investment committee members and trustees that integrating ESG issues will harm investment income;
- Finding sources of reliable and specific information on companies' ESG practices;
- Informing and mobilizing the "investors in the pews" (lay persons' own investments); and
- Exercising proxy voting when in pooled funds.

Question 3: What types of assistance would be most helpful to you in implementing Responsible Investment in your organization?

- Finding an affordable way to be a responsible investor;
- Understanding our church's or community's responsible investment practices;
- Understanding responsible investment criteria for asset classes other than listed equities: bonds, real estate, private equity, etc.
- Identifying partners for collaboration among like-minded investors;
- Identifying partners for collaboration among religious investors (i.e. something like Church Investors Group – UK);
- Sharing information on Investment Manager Performance on responsible investment;
- Help with researching and representation in shareholder engagement;
- Information grading companies on various environmental and social issues; and
- Information on the impact of responsible investment on investment income.

FACILITATED DISCUSSION: NEXT STEPS

After the answers to the three questions were recorded, organized and **Jeff Pym**, Director of Planned Giving at the Evangelical Lutheran Foundation of Eastern Canada, facilitated a group discussion. The group reflected on the responses to the three discussion questions and offered additional thoughts:

- Religious investors participating in the workshop come from a wide variety of sizes, degrees of experience with responsible investment and expectations.
- Many institutions represented at the meeting already implement some responsible investment practices and want to do more.
- Some participants are unfamiliar with what SHARE and Sustainalytics already offer.
- Some religious investors are “ready and raring to go” but others do not have a mandate for action and require time for internal consultative processes.
- Face-to-face meetings are preferable, but may be difficult to organize given the dispersion of faith groups across the country.
- Exchanging information and advice about manager searches was identified as a way religious investors could help each other.
- The issues identified by faith-based organizations generally reflect issues of wider civil society concern. Where faith groups may differ is how they rank priorities and how they describe the issue.

The following possible next steps were suggested:

- Send an email asking participants whether they want to keep in touch;
- Prepare a discussion paper outlining options for the purpose and structure of a Canadian “church investor group”
- Conduct an online survey to determine in greater detail and with wider representation the responsible investment needs of religious investors in Canada.
- Ask SHARE to host a follow-up meeting in Spring 2012; allow participants from other regions to participate either by moving the meeting to another location or using technology.

CONCLUSION

All of the presenters, facilitators and organizers were thanked. Appreciation was expressed to Toronto Monthly Meeting for use of Friends House.

“The benefit of collaboration is that we don’t waste time and money and energy doing things twice, three times, four times. We don’t reinvent the wheel.” – Richard Nunn, UK Church Investors Group, 2011.