ENGAGING WITH COMPANIES ON SUPPLY CHAIN PRACTICES
Responsible Investors and the cotton supply chain
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Why is it important for pension funds and other investors to be involved?

For investors:
- Reputational risks can affect returns
- Better management of ESG issues tends to correlate with better overall management

For companies:
- Concerned about duty to shareholders
- Can be influenced by engagement and/or proxy voting
What have investors done to address child and forced labour?

- Participating in the Responsible Sourcing Network
- Engaging with companies in their portfolios to encourage adoption of the Responsible Cotton Pledge and better supply chain practices
- Jointly lobbied the Uzbek government and key international decision-makers about the issue
What can Canadian investors do to address child and forced labour?

• Engaging with Canadian companies:
  • Gildan Activewear
  • Hudson’s Bay Company
  • Canadian Tire
  • Reitman’s
  • Loblaw Companies (Joe Fresh)
  • Retail Council of Canada
What we’re hearing back from companies

• Loblaw becomes first Canadian company to sign Cotton Pledge (October, 2013)
• Most have a general policy against child labour but are not adopting measures to track country-of-origin information for cotton
Responsible sourcing is a responsible investment issue

- SHARE raises a range of responsible sourcing issues with companies in pension portfolios:
  - Bangladesh worker health and safety
  - Conflict minerals in electronics, auto parts, etc
  - Precarious employment
  - Environmental impacts
  - Human rights in the mining sector
Responsible Pension Investment

Asset Selection
- Screening
- Integration
- Targeted/Impact Investment

Active Ownership
- Proxy Voting
- Engagement
- Securities Class Action
Implementing Responsible Investment

What can a pension plan do?

• Ask managers to explain ESG approach and resources
• Become a SHARE affiliate member
• Review proxy voting reports from all equity managers
• Request quarterly or annual report on manager ESG activities
• Join in collaborative shareholder engagements
Implementing Responsible Investment

Trade Union Investor Initiatives

• Trustee training
• Engaging with companies
• Filing shareholder proposals
• Organizing proxy voting