

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

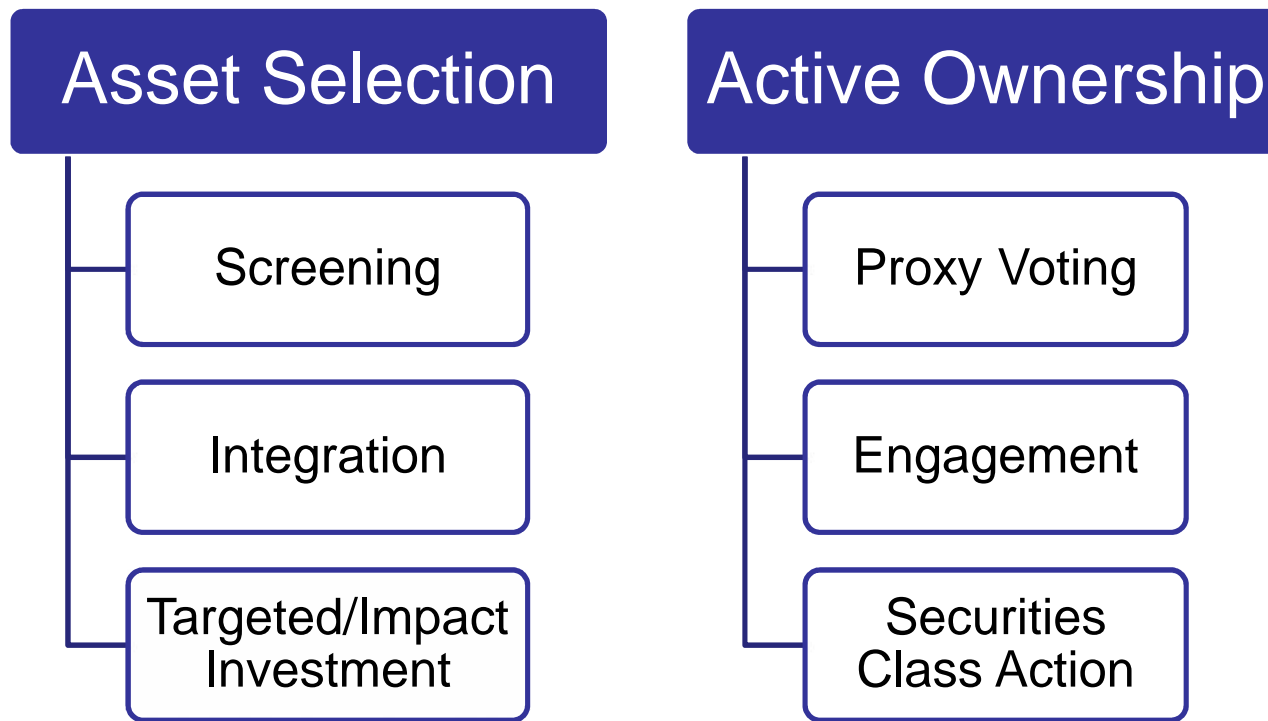
What we're hearing back from companies

- 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



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



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