

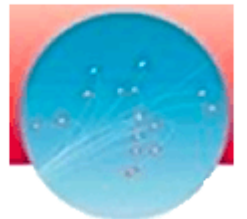
# Measuring the Impact of Engagement in Canada

Tessa Hebb and Heather Hachigian  
Presentation to the PRI Academic Network  
Conference, Copenhagen Denmark  
May 6, 2010



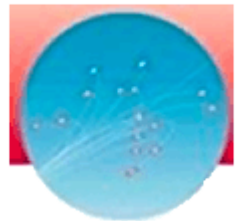
# Presentation Overview

- ▶ Long-term study addresses the impact of corporate engagement on company behaviour
- ▶ Extends literature on shareholder engagement
- ▶ Three case studies on engagement examined



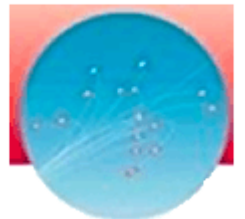
# Toward a Theory of Engagement

- Stakeholder salience theory
  - Legitimacy, Urgency and Power
- Methods of Engagement
  - Direct corporate dialogue
  - Letter campaigns
  - Collaboration
  - Industry dialogue
  - Minority shareholder resolutions
  - Proxy voting
  - Divestment (exit over voice)



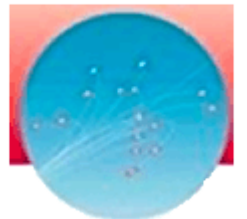
# Methodology

- Qualitative research using three case studies:
  - CPPIB, SHARE and Northwest Ethical Funds
- Interviews: Canadian investors' perspective
  - effective engagement strategies and their impact
- Public document review:
  - engagement method and measuring impact



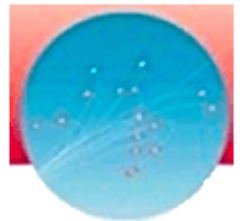
# Focus Engagements

- **CPPIB: Climate Change**
  - energy and utilities sector (enhance disclosure and reporting , reduce risk)
- **SHARE: Say on Pay**
  - advisory vote on executive compensation (2007)
- **NorthwestEthical Funds: Barrick Gold**
  - engaged with Barrick since 2002 (Community engagement focus over recent years)



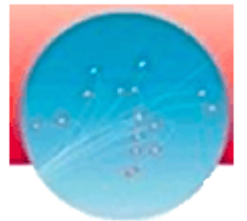
# Measuring Impact of Engagement

- Measurement can be difficult
  - unwillingness of companies to admit reason for change, disconnect between policy and performance, time lags
- Definitions of success
  - risk reduction, increased disclosure, financial returns(CPPIB); benchmarking (NEI); attention where there was none previously (SHARE)
- Mix of positive and negative responses
  - depends on issue (more likely negative when intangible, absence of third party)



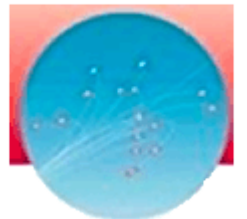
# Impacts of Engagement: CPPIB

- Direct dialogue: Several companies improved reporting on climate change and sustainability
- Collaboration with Carbon Disclosure Project
- Industry dialogue: Canadian Institute of Chartered Accountants: guidelines for inclusion of climate change disclosure



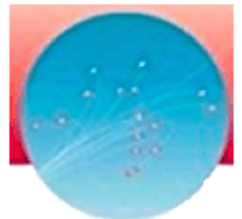
# Impacts of Engagement: SHARE

- **Say on Pay:** response to letter was “quite good” although took some time
  - positive when firm was familiar with SHARE
  - average of 53% support from shareholders, 12% higher than 2008
- **All engagements:** 69 positive results and 34 negative over 2008 and 2009



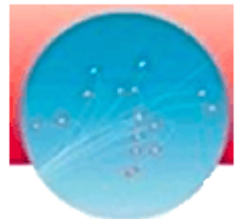
# Impact: Northwest Ethical Funds

- **Barrick:** biodiversity, environmental justice, human rights policy, adoption of Global Compact and anti-retroviral drugs
  - filed 3 proposals against Barrick, most recent in 2009, (Community engagement) 17% support
- **All engagements:** Positive trend
  - 39.5% of total engagement activities in 2006
  - 45.7% of total engagement activities in 2009



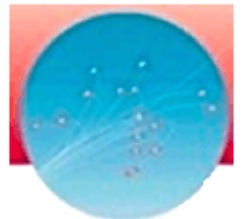
# Testing the Saliency of Engagement

- Legitimacy most commonly cited attribute
  - trust, solutions oriented, knowledgeable
- Urgency is necessary but not an essential driver
- Power as a last resort
  - SHARE and NorthwestEthical use minority shareholder resolutions when dialogue falters



# Conclusion

- ▶ Key attributes and sub-attributes of shareholder saliency are confirmed in our case studies.
- ▶ Impacts on companies will be tested as our research work continues.
- ▶ More research is needed to measure the impact of engagement.



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