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Responsible Investment: Best Practices for Canadian Pension Funds

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About the SIO and Mercer

- The Social Investment Organization (SIO) is a national membership-based organization that includes financial institutions, investment firms, financial advisors, and various organizations and individuals interested in socially responsible investment
- Mercer is Canada's leading investment consultancy serving institutional investors
- Mercer's commitment to responsible investment began, officially, in 2004 when we acted as advisors to the UN Principles for Responsible Investment
- Today, Mercer's responsible investment team consists of 15 professionals located in New York, London, Tokyo, Melbourne, and Toronto and works primarily with large pension funds interested in responsible investment

This report: *Best Practices in RI for Canadian Pension Funds*

- Commissioned by the SIO with funding from Environment Canada
- The SIO has also commissioned and will release a report on best practices for endowments and foundations in Canada
- *Best Practices in RI for Canadian Pension Funds* provides an overview of the development of and barriers to RI in Canada
- It also provides general recommendations of interest to regulators, legislators, and the broader financial services industry
- For individual pension funds, the report itemizes some key components of RI strategies and suggests actions that will support each component
- Finally, the report offers a brief overview of collaborative initiatives before focusing on the pre-eminent initiative – the UN PRI

Recommendations

For regulators, legislators, and financial services industry

- Require disclosure of ESG integration, proxy voting, and corporate engagement
- Clarify that ESG integration does not undermine fiduciary duty
- Work with pension plans, legal and investment professionals to address long-term investment horizons and liabilities
- Governments, federal and provincial, can lead in their respective jurisdictions
- The SIO should work with PIAC to survey existing training for trustees and make recommendations for standardized courses, as well as the broader integration of RI themes into industry specific curricula (MBA, CFA, business, commerce, economics, and director education)
- The two organizations should cooperate with similar organizations to set goals to increase awareness and participation in the UN PRI

Strategies for Pension Plans

Key components

- Build competency
- Review, update and communicate policies
- Practice active ownership
- Consider ESG factors across all asset classes
- Invest in ESG themed investment strategies
- Report to trustees, beneficiaries, other stakeholders and the public
- Collaborate with other investors

UN PRI in Canada

Membership by pension fund size

- Some of Canada's largest, internationally-recognized, pension funds have taken leading roles in developing responsible investment as a mainstream strategy
- Similarly, Canada can claim with pride some of the world's leading service providers in the field
- Yet, adoption by the broader pension fund community lags behind other jurisdictions

Category	# of Funds	Total AUM \$Billions	PRI Signatories
Over \$10 Billion	17	\$489.8	3
From \$1 Billion to \$10 Billion	97	\$255.9	1
From \$500 Million to \$1 Billion	79	\$54.4	1
Under \$500 Million	944	\$72.2	2

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