



SOCIALLY RESPONSIBLE INVESTING: 2014 ANNUAL PRI MEETING IN MONTREAL

From September 24 to 26, Montreal hosted the 8th annual meeting of the signatories of the Principles for Responsible Investment (PRI), known as PRI in Person. This is the most important international annual conference for responsible investment. More than 500 delegates from around the world participated in the annual conference. As a signatory of the PRI, PBI attended the three days of the conference in order to talk about responsible investment practices with world leaders and maintain our leadership in promoting them. PBI was a proud sponsor of this important conference, in collaboration with the *Réseau québécois des signataires des PRI*. Here is a report on the three memorable days. We also present an overview of the UN PRI's 2014 annual report.

CONFERENCE AT A GLANCE

PBI attended four keynote sessions featuring renowned speakers.

First, we'd like to call attention to the presence of Ms. Christiana Figueres, Executive Secretary of the United Nations Framework Convention on Climate Change. She will be chairing the negotiations for the adoption of a global agreement to control climate change in Paris, in December 2015. Ms. Figueres called on the global community to rise to the occasion and break free from fossil fuels, seizing this incredible opportunity for economic development. She argued that transitioning from an economy that is highly dependent on fossil fuels to an economy with a small carbon footprint is now a necessity. While noting that the shift involves major challenges, she highlighted that it also offers huge potential for economic development. As an example, she cited the Rockefeller Brothers Fund, which announced a \$50 billion divestment from the oil industry. Her message was clear: We must, can, and will act. The audience gave this speaker an extraordinarily warm reception.¹

Mr. Keith Ambachtsheer, Director Emeritus of the Rotman International Centre for Pension Management and a leader in the pension fund sector, spoke about the importance of institutional investors taking a long-term view.

Economist James K. Galbraith, son of the celebrated Canadian-American economist John Kenneth Galbraith, spoke at the conference's opening, sharing a few thoughts from his new book, *The End of Normal*. The book's

¹ The conference can be viewed at <https://webcasts.welcome2theshow.com/PRI2014>.



key point is that investors have to stop treating the 2008 financial crisis as a major road accident; instead, it should be seen as a tipping point, a break with an economic system that was no longer viable in the long term.

Spencer P. Glendon, Vice President, Partner and Director of Macroanalysis Research at Wellington Management, spoke on future macro-economic trends and consumption.

In addition to these four keynote speakers, Mr. Carlos Leita, Quebec's Finance Minister, reported on Quebec's economic and financial situation. He also took the opportunity to stress Quebec's advantage over the rest of Canada with its greener overall energy balance sheet. He also issued an invitation to the international visitors present, saying that Quebec was open for investment.

Among the topics tackled during the three days of the conference were "green bonds", a type of bond used to finance environmental projects. The green bond market is booming, with the first issuance dating back six years. More and more institutional investors are showing interest in this type of investment.

The [Montreal Carbon Pledge](#) (MCP) was also announced at the conference. This declaration commits signing institutional investors to measure and disclose their investment portfolio's carbon footprint. "This new business practice is highly significant for the financial services industry, particularly because it has a global reach. It represents a major step in increasing efforts to include environmental, social, and governance issues in financial firms' investment decisions."² Nine major institutional investors have already become signatories of the MCP, including the California Public Employees' Retirement System (CalPERS), a fund valued at nearly \$300 billion U.S. Signatories also include a French public pension fund called the *Établissement du régime additionnel de la fonction publique* (ERAFP) and, right here in Canada, Bâtirente.

Those are the highlights of this annual conference. The next PRI in Person conference will be held in London, from September 8 to 10, 2015.

PRI 2014 ANNUAL REPORT

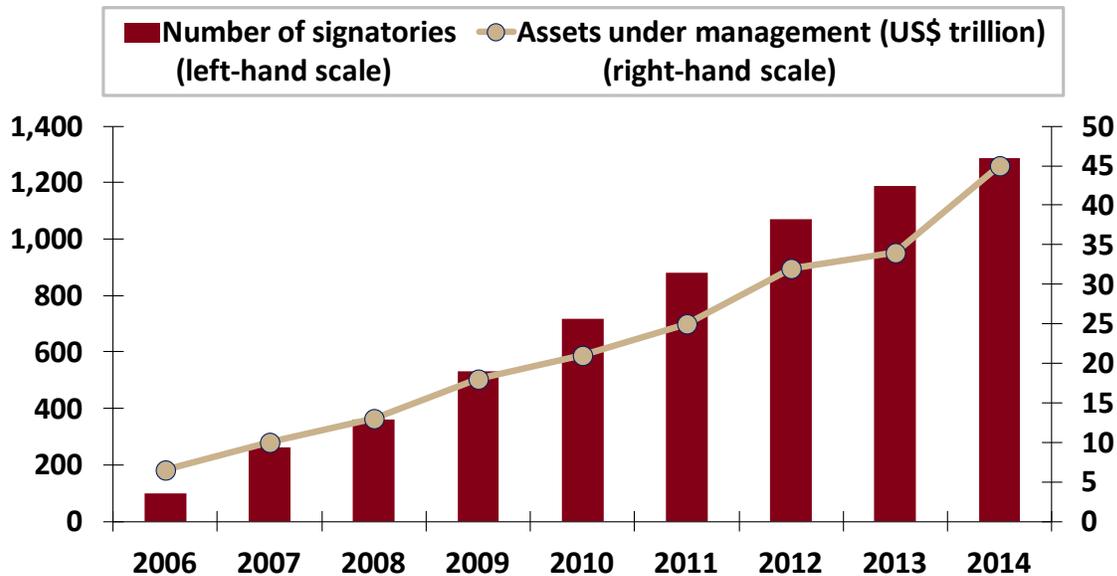
Below are some highlights of the 2014 annual report published by PRI.

- The PRI now have **1,287 signatories** from 55 countries, with 177 new signatories in the last year. They come from Europe (99), North America (39), Latin America (14), Oceania (10), Africa (8) and Asia (7). **The majority of the signatories (64%) are investment managers.**
- The number of **Canadian signatories** has increased to **55**, from 49 in 2013. Quebec has 36 signatories. 26 of them (including PBI) have joined forces to form a Quebec network. The Québec PRI Network is also intended to promote the pooling of expertise and the sharing of best responsible investment practices in order to foster their adoption by a growing number of actors in Quebec finance.

² *Finance Montréal*, press release dated September 25, 2014.



- In 2014, the **assets managed by PRI signatories** total **\$45 trillion U.S.**, compared with \$34 trillion U.S. the year before.



- A group of 41 **investors** representing \$5.1 trillion U.S. **asked 36 companies** that use hydraulic fracturing to **improve their governance practices** and to disclose their agreements with contractors, their use of water and air, and the impacts of their operations on the surrounding communities.
- Some **fund managers**, such as Aviva Investors, Hermes Eos, Investec Asset Management and Robecco, have **taken steps to improve the handling of proxy votes** by 28 businesses they have invested in.
- 36 institutional investors representing \$2.2 trillion U.S. joined forces to **ask 34 agricultural companies to improve labour standards** in their supply chains. By June 2014, 20 companies had responded to the requests.
- A group of signatories representing \$5.8 trillion U.S. launched an initiative to have Canadian and U.S. **mining firms disclose their tax payments**.
- Since 2011, **PRI signatories must pay an annual fee** to contribute to the financing of the organization behind the promotion of the PRI. According to the last annual report for 2014, the PRI Initiative’s operating budget is £4.3 million; contributions from signatories represent 92% of its revenues.



RETURNS AND PRI

One topic remains current with respect to Responsible Investment: What are the returns?

Index providers have developed indicators to measure the performance of socially responsible companies. Of them, the Jantzi index measures the performance of the Canadian market. The Jantzi index showed that \$100 invested in July 2002 was worth \$293.60 in June 2014, compared with \$287.80 for the S&P/TSX composite index.

MSCI also produces the ESG indices. The MSCI Global SRI index showed that \$100 invested in September 2007 was worth \$138.00 in June 2014, compared with \$132.70 for the MSCI Global index.

A REVIEW

The Principles for Responsible Investment (PRI) and Environmental, Social and corporate Governance (ESG) issues have growing importance in the investment world. The PRI are an initiative of Mr. Kofi A. Annan, former Secretary General of the United Nations. In 2005, he invited the major global investors to develop a set of general principles for good conduct focused on responsible investment.

The PRI can be summed up in six principles:

1. We will incorporate **ESG** issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate **ESG** issues into our ownership policies and practices.
3. We will seek appropriate disclosure on **ESG** issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

PBI, A PRI SIGNATORY

As a signatory of the Principles for Responsible Investment (PRI), PBI Actuarial Consultants provides annual financial support to the PRI Initiative. We also actively promote the PRI. For this purpose, PBI reports on some Canadian PRI initiatives and ESG issues by publishing each year a summary of proposals from minority shareholders that were filed during annual meetings, demanding environmentally and socially responsible production methods, as well as improved and more transparent governance from corporate leaders. First and foremost, PBI's commitment is intended to be a tool for pension committee members and trustees who, among other things, have a fiduciary responsibility in their administration of others' assets.

As institutional investors, pension funds have long-term investment goals. The primary objective of the PRI is highly consistent with this long-term investment principle. "The Principles for Responsible Investment aim to help integrate consideration of environmental, social and governance (ESG) issues by institutional investors into investment decision-making and ownership practices, and thereby improve long-term returns to beneficiaries." (Excerpted from Principles for Responsible Investment, UN).

