Blakes

How and Why ESG Should be Integrated into DC Plan Investments

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Perspectives from a Pension Lawyer

- Advising for Boards, Investment Committee and Management with respect of ESG issues.
- Work with SEPPs with millions to invest and large JSPPs with tens of billions of investments.
- Everyone is interested in doing the right thing.
- Many pension plans are at early stage of ESG implementation (very large plans are more advanced in their ESG programs)

What is ESG and Why Should it Be Considered in a DC Investment Platform?

- Environmental, Social and Governance ("ESG")
- Part of the risk and return analysis for all investments
- Environmental, Social and Governance are not equal parts
- General view is that it applies to all asset classes
- Types of ESG investing for DC Pension Plans:
  - i) ESG Integration
  - ii) Divestment
  - iii) Sustainability Focused

Reasons ESG Should be Considered in a DC Plan’s Investment Choices

- Emerging research regarding returns
- Blackrock TDFs in Canada (political issues can be present)
- Stakeholder views
- Legislative considerations
- CAPSA Guidelines

Legal and Regulatory Requirements

- At a minimum need to comply with regulatory and plan (text, trust) requirements
- Summary of the current Canadian law
- CAPSA Guideline

Governance Requirements and Operationalizing ESG Integration

- Responsibility
- SIP&P
- Investment and Investment Managers

Developing Reporting Standards

- Reporting by Companies
- Reporting by Investment Managers
- Third Party Service Provider ESG Auditing/Reporting Services
- Current limitations

Stakeholders

- Number of plan members asking questions on SRI/ESG increasing albeit still a very small % of plan members
- Typically focused on a narrow issue such as low/no carbon, geopolitical and diversity
- Evolving

Conclusions

- Evolving
  - Rules
  - Products
  - Reporting
  - Demand
- Resources will need to be devoted

Q&A Session

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