

CEO's letter

Someone told me recently that in other countries, there are often many organizations doing similar work to what we at SHARE do in Canada and globally. Those organizations might advise and support asset owners; conduct shareholder engagements; co-ordinate networks; carry out cutting-edge research; educate and evaluate; work with policymakers and regulators; or support grassroots organizations in bringing forward issues that investors need to know more about.



But unlike SHARE, none of those other organizations bring all that work together under one roof. We do it because we recognize that in order to tackle the systemic challenges that face us — as investors, as communities and as citizens — we can't stop at publishing reports, writing op-eds and urging others to act. We must identify viable options, develop capacity, facilitate actions and oversight, and build collective power if we want to see progress.

We also have to do those things at every step in the investment chain, so that the ambitions of asset owners (as well as their beneficiaries and stakeholders) are reflected and acted upon by all the intermediaries that make up the responsible investment ecosystem to result in real-world impacts.

Pension plans, Indigenous trusts, universities, foundations, asset managers, regulators, companies, unions and other grassroots organizations <u>all work with SHARE</u> because our entire mission is about helping them achieve their own goals. We bring together the tools, analyses, supports and — most importantly — like-minded groups that can help them be more effective, efficient and ambitious than they might be on their own.

Our partnerships, networks and impacts have all grown tremendously in the past year and a half. We now regularly work with institutional investors representing assets between tens of millions and hundreds of billions of dollars, creating and sustaining powerful national and global multi-trillion-dollar alliances to support each other in our common work.

Whether you are a university trying to do something meaningful about climate change; a pension plan trying to decipher the myriad reports and claims from investment managers; an Indigenous trust looking to take back control of your community's future; or a foundation wanting to walk the talk on racial equity, you work with SHARE because the comprehensive and systemic approach we take matches your ambitions. You also know that your own resources are backed up by one of North America's largest independent shareholder advocacy teams.

Heading into the coming fiscal year, we remain committed to our mission of mobilizing investor capital to create a more *sustainable*, *inclusive* and *productive* economy. As you will read in the sections below, these are not just buzzwords or a catchy slogan; those three pillars of our mission form the basis for everything we do, keeping us focused on what matters as we try to create lasting and meaningful change.

Sincerely,

Kevin Thomas

CHIEF EXECUTIVE OFFICER





Over the past 18 months, our sustainable economy actions have included:

Working with asset owners to accelerate the energy transition

As institutional investors recognize climate change as both a clear and immediate risk to their portfolios and a wider systemic risk with implications for ecological, societal and financial stability, SHARE works with a growing number of asset-owner boards and staff to develop Investor Climate Action Plans (ICAPs). These plans look different for every asset owner, but always include goals and actions meant to align investment activities with international efforts to keep global warming to a maximum of 1.5 degrees Celsius.

Holding corporate issuers accountable for their own climate plans

Of course, it's not just investors who must plan for the net-zero transition; companies must do their part. That's why SHARE published a groundbreaking report identifying standards for Corporate Climate Action Plans (CAPs). This comprehensive investor guide breaks down how investors can see through corporate "greenwashing" and hold companies accountable for their climate commitments.

Ensuring asset manager alignment on climate goals

SHARE helped clients oversee asset manager integration and stewardship practices through a range of effective measures:

- a unique proxy audit tool that helps funds analyze, evaluate and benchmark how their votes are being exercised by their asset managers
- updated <u>proxy voting guidelines</u> that include more rigorous standards for climate governance, among other important updates
- a new version of our asset manager questionnaire, produced on behalf of a dozen leading universities, that makes improvements for clarity and ease of use

And we have been bringing together asset-owner clients into collaborative engagements with their asset managers on climate and other ESG priorities, ensuring that actors throughout the investment chain are aligned on addressing long-term and systemic risks like the climate crisis.



Leveraging collective power to drive change at the company level

A central pillar of SHARE's work involves engaging with portfolio companies on behalf of our investor clients. Those efforts help our clients secure climate-related commitments from companies, such as time-bound commitments by Metro Inc. and Saputo Inc. to set new science-based GHG reduction targets, or Dollarama Inc.'s pledge to report Scope 3 emissions for the first time in response to a shareholder proposal filed by SHARE.

SHARE also continues to engage Canada's "Big 5" banks on their climate commitments, with a particular focus on equalizing the ratio between investment in non-renewable and renewable energy. We see this as a meaningful way to focus banks on their critical role in the energy transition, and track real progress.

Establishing ambitious benchmarks and advocating for greater oversight

Setting clear rules and expectations is key to achieving any major objective, particularly one as comprehensive and critical as tackling the climate crisis, which is why SHARE advocates for regulatory and policy changes such as the <u>cap on emissions from the oil and gas</u> sector and <u>enhanced emissions disclosure</u>.

It's also why we serve as part of the joint secretariat for Climate Engagement Canada, which recently established the first <u>CEC Net-Zero Benchmark</u>. Aimed at defining investor expectations for Canadian issuers, the benchmark is also the first global standard that embeds Indigenous reconciliation into its assessment.





In the period covered by this report, supporting an inclusive economy meant:

Bringing investors together to advance racial equity

SHARE takes a similar approach to combating systemic racism and discrimination as we do to addressing the climate crisis: we bring together likeminded asset owners to advocate for change. This is a core tenet of our mission.

The Investors for Racial Equity community of practice helped investors align their portfolios with their values and commitments to advance racial equity. Over the past 18 months, IRE members — including foundations, family offices and pension plans — have been gathering to explore investment strategies and approaches that can generate demonstrable impacts in advancing racial equity in Canada. This work includes the development of an exclusive asset manager evaluation tool (currently in draft form) aimed at identifying and analyzing the actions managers are taking to advance racial equity.

Producing actionable research

Racial inequity is not only a matter of justice; it's a global problem with broad economic repercussions threatening the long-term performance of diversified asset owners' portfolios. By examining the results of recent shareholder votes related to racial equity, SHARE's investor brief, "Racial equity on the shareholder ballot in 2023," highlights the strength of investor calls for corporate action to address justice, equity, diversity, and inclusion.

We also produced a guide to <u>Indigenous Peoples'</u>
<u>Rights</u> in the Energy Transition through our
<u>Reconciliation and Responsible Investment Initiative</u>
(RRII). This investor brief looks to help responsible investors assess risk and opportunity differently, challenge historical inequity patterns, and prioritize meaningful integration of Indigenous Peoples' knowledge in financial and economic decision-making.

Holding powerful proxy advisers accountable

As the world's leading proxy advisory firm, Institutional Shareholder Services Inc. (ISS) holds great sway over the outcomes of countless shareholder votes. So when SHARE noticed what we considered to be contradictory advice from the U.S. and Canadian branches of ISS on racial equity proposals at big banks, we reached out to express our concerns. We regularly engage with ISS and its chief rival, Glass-Lewis, to ensure our asset-owner clients' voices are heard and reflected in the recommendations issued by these influential organizations.

Pushing the big banks to evaluate and address their racial equity impacts

In response to shareholder engagement, most of Canada's big banks (including TD Bank, RBC, BMO, National Bank, and CIBC) have now agreed to commission a third-party racial equity audit covering employment and business practices These audits should help the companies identify and address any shortcomings that have negative impacts on racialized communities, as well as the systemic risks to shareholder value these shortcomings represent. We've made similar progress in other sectors, gaining similar commitments at Constellation Software, Sun Life Financial, Intact Financial, Open Text, and Mondelez International.

Developing a Values in Action program for Indigenous trusts

SHARE's "Values in Action" program offers selected Indigenous trusts a free opportunity to join a community of practice that is supporting engagement with investee companies on issues of concern to their communities, such as reconciliation or environmental practices.

Engaging with corporate issuers on reconciliation efforts

The Truth and Reconciliation Commission's <u>Call to Action 92 on "Business and Reconciliation"</u> outlined steps the corporate sector should take to participate in the process of reconciliation. As investors, we believe that a fulsome response to the TRC's Call to Action 92, as well as growing regulatory developments related to Indigenous reconciliation, are both a significant opportunity for Canadian investee companies, and in some cases, a necessary means of addressing reputational, regulatory, operational, and legal risks.

Of the companies we have engaged on this issue, many have been developing and publicly disclosing a Reconciliation Action Plan ("RAP") and/or committing to the <u>Partnership Accreditation in Indigenous</u>
<u>Relations</u> ("PAIR") certification program created by the Canadian Council for Indigenous Business.

This is also a case where SHARE is "walking the talk," as we have begun the process of achieving PAIR certification ourselves by adopting our own commitment to reconciliation. We've also created an internal Justice, Equity, Diversity and Inclusion (JEDI) committee to help develop our own anti-racist culture and policies.

Advocating for securities regulators to adopt broader diversity requirements

The doors to Canada's corporate boardrooms are opening to a wider cross-section of the population — but it's not happening fast enough. That's why SHARE, alongside our colleagues in the Capital Markets Modernization Working Group, continues to advocate for new regulations governing diversity disclosures — beyond gender — from corporate issuers. Canadian Securities Administrators are currently weighing amendments to its board diversity disclosure regulations.





Here are some concrete actions we took in the past 18 months to build a more productive economy for all:

Asset owner policy and tools

SHARE offers asset owners a robust variety of tools to help combat inequality and drive social change. For institutional investors who are in the early stages of their stewardship journey, we've been providing board education sessions to help trustees understand and manage social and economic risks and effectively oversee their investment managers and other providers. For those further along the path of ESG integration, we have been helping to craft social and inequality action plans to ensure that investment decisions are being considered within a broader perspective.

Asset manager oversight and collective engagement

SHARE has responded to growing interest from asset owners in using their leverage as clients to improve the ESG stewardship practices of asset managers. We've been offering advanced advisory services to help asset owners review and assess reports and practices of their asset managers to ensure alignment with investment policies and enhance oversight. And in an example of the collective power of our networks, SHARE has convened numerous meetings between major asset managers — including Canadian and global managers, such as BlackRock — and their assetowner clients, including foundations, pension funds, universities and religious investors.

Amplifying workers' rights campaigns

Another example of collective power — and one of the most exciting projects we helped launch last year — is the <u>Labour Rights Investor Network</u>, an initiative of the SHARE-hosted Committee on Workers' Capital (<u>CWC</u>). Just months into its existence, the LRIN already includes more than 40 institutions representing more than USD 3.5-trillion in combined assets under management or advice, who have all signed onto a commitment to integrate labour rights into their stewardship practices.

In addition to the LRIN, we also launched the Global Labour Rights Campaigns Hub, a CWC and SHARE initiative that aims to amplify global trade union and labour rights organizations' campaigns by activating investors to uphold decent work and labour rights in their portfolios. The Hub has already connected with dozens of workers' rights campaigns across the world and is working alongside partners to encourage new signatories to the International Accord, a binding safety agreement for the garment industry that has expanded from Bangladesh to Pakistan. SHARE has hosted the CWC Secretariat for over 20 years and the Hub reflects the growing capacity we bring to this work internationally.

Setting standards for investing that advances societal goals

SHARE's research has helped to set new standards for investors on housing affordability and freedom of association. On housing, we produced a report_tracking practices in the Real Estate Investment Trusts (REITs) sector, and used that research to contribute to federal policy debates on the financialization of the housing sector.

On workers' rights, our partners at the CWC released guidance for assessing corporate claims regarding freedom of association. This report responds to the fact that, while many companies have adopted human rights policies, a number of them have also been accused of labour rights violations in apparent contradiction to those public commitments.

Shareholder leadership

Of course, our work goes well beyond research; we are advancing a productive economy by engaging with major corporate issuers on behalf of our assetowner clients. One of our major accomplishments over the past 18 months was securing a landmark commitment from Starbucks to conduct a thirdparty assessment of its adherence to workers' rights principles. Though far from perfect, this was a critical factor in bringing Starbucks to the table to negotiate with workers, along with a concerted shareholder campaign by partner organizations that challenged Starbucks directors to do the right thing. We also conducted meaningful engagements on freedom of association, collective bargaining and worker health and safety with companies including Amazon, Tesla and others, and we've been leading engagements on better corporate governance — even in the thorniest of situations, like those at dual-class share companies like Meta or controlled firms like Loblaw Companies Ltd.

Policy advocacy and corporate governance

On the policy front, SHARE worked with businesses, parliamentarians and others in a successful effort to encourage passage of <u>Canada's Modern Slavery Act</u> (<u>Bill S211</u>). Though the legislation falls short of what is ultimately needed, its adoption is an important milestone that narrows the gap between Canada and its peer countries.

Finally, the past year also saw the release of the final report of the <u>Investors for Opioid and Pharmaceutical Accountability</u> coalition, which was co-chaired by SHARE's CEO — another concrete example of the power of collaborative efforts by committed, responsible shareholders, in this case in a successful drive to reform executive compensation at pharmaceutical companies responsible for the opioid crisis.

Bringing it all together

Looking back on the things SHARE and our amazing network partners have accomplished in the past 18 months fills us with excitement for the year ahead.

We're also energized each year by the challenging, inspiring conversations that happen at our annual <u>Investor Summit</u> in Vancouver. This year's event touched on a number of emerging topics, from managing private equity to the implications of artificial intelligence (AI) for responsible investors. More importantly, it provided a venue for our broad networks to learn, discuss and plan together to achieve more than any of us could do on our own. <u>Save</u> the date now for next year's event, which promises to be just as rousing, relevant and rejuvenating.

Next year also marks SHARE's 25th anniversary, and we plan to celebrate accordingly. We'll release more details in the weeks and months to come; get in touch if you want to hear more.

In the meantime, we plan to continue working towards our goal of a more sustainable, inclusive and productive economy, with your continued involvement, support, and thoughtful efforts.

Thank you for joining us in this important work.

Sincerely, The SHARE team