

Fiona Reynolds, Managing Director
Principles for Responsible Investment, 25 Camperdown Street, London, E1 8DZ
E: fiona.reynolds@unpri.org | T: +44 (0) 20 3714 3189

The Honourable Rachel Notley, M.L.A.
Premier of Alberta
307 Legislature Building
10800 - 97 Avenue
Edmonton, AB T5K 2B6

With copies to:

The Honourable Joe Ceci, M.L.A.
Minister of Finance
Alberta Treasury Board and Finance
323 Legislature Building
Edmonton, AB T5K 2B6

The Honourable Stephanie McLean, M.L.A.
Minister of Service Alberta and Status of Women
103 Legislature Building
10800 - 97 Avenue
Edmonton, AB T5K 2B6

Kevin Thomas
Director of Shareholder Engagement
Shareholder Association for Research & Education
Box 11171, Royal Centre, 26th Floor,
1055 West Georgia Street
Vancouver, BC V6E 3R5,

25 July 2017

Dear Premier Notley,

Re: Advancing the right to file shareholder proposals in Alberta

I'm writing on behalf of the United Nations-supported Principles for Responsible Investment (PRI), representing 1700 signatories globally, 95 of which are Canadian.

Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole. It is driven by a growing recognition in the financial community that evaluation of ESG issues is a fundamental part of assessing portfolio value and investment performance.

The Canadian model of high-capacity public pension plans has enabled Canadian asset owners to be early adopters of ESG integration. As such, Canadian investors have been at the forefront of responsible investment initiatives, such as the PRI, contributing extensively to the global responsible investment industry.

The PRI has strong concerns with the current shareholder proposal filing rules in Alberta. We understand that the Alberta Business Corporations Act (ABCA), and the associated Regulations (specifically section 18.1), require an investor to have a prescribed level of support from shareholders owning 5% of issued voting shares in order to file a proposal. This requirement effectively prevents the overwhelming majority of shareholders of Alberta corporations from filing proposals. This threshold is far more onerous than that which applies under the corporation acts

of any other Canadian provinces, under the federal Canadian Business Corporations Act (CBCA), and internationally, such as Australia, UK and the US.

Shareholders play a critical role in corporate governance. Enhanced shareholder engagement has led to changes in board election practices, executive compensation and, in some instances, corporate strategy. To be an effective shareholder, this includes the ability to file resolutions, as well as exercise voting rights.

Engagement helps shareholders to make informed voting decisions about investee companies. It has moved from the margins to the mainstream, and is now a year-round activity, not one simply precipitated by an AGM or corporate crisis. Engagement is an instrument for creating long-term value and is central to the prudent oversight of investee companies.

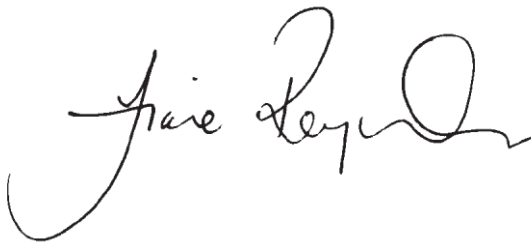
For climate change specifically, which is of increasing importance to investors¹, there is growing consensus that fossil fuel shareholders should be engaged with these holdings, or divest from them. Allowing for escalation of engagement would make divestment a less likely outcome, giving capital markets the power to encourage positive change at companies.

Research produced by the Shareholder Association for Research and Education (SHARE) in 2017 indicates that Alberta-incorporated companies are underperforming Canadian peers in key ESG issues such as gender diversity, 'say on pay', and climate change.² In doing so, Alberta companies are missing out on opportunities for value-creation. Strong performance on ESG issues has been correlated to financial outperformance in a number of studies.³ Female representation in leadership, for example, has been shown to correlate to better returns on equity, net profit margins, and earnings per share⁴, along with lower volatility.⁵

We therefore recommend for the Government of Alberta to amend the Regulations under the ABCA to establish a shareholder proposal filing threshold that is substantively the same as that set out in the federal Canada Business Corporations Act (CBCA) and associated Regulations, which require a filer to hold i) voting shares equal to 1% of all such shares, or ii) voting shares with a market value of \$2,000, without the additional requirement of support from shareholders owning 5% of issued voting shares.

If you would like to receive more information about our work on this issue or discuss it in further detail, we would be happy to arrange a meeting at a time that is convenient for you.

Yours sincerely,



Fiona Reynolds
Managing Director
Principles for Responsible Investment

¹ In PRI's reporting modules, signatories cite climate change as the second most important long-term trend posing a risk to investments, coming just after changing demographics.

² SHARE. [Off the Ballot: Why Alberta's business laws need to catch up on shareholder democracy.](#)

³ For example: Deutsche Asset & Wealth Management & the University of Hamburg. [ESG and financial performance: aggregated evidence from more than 2000 empirical studies.](#)

⁴ Value for Women. [The bottom line: Why Gender Inclusion is Good for Business.](#)

⁵ Morgan Stanley. [An Investor's Guide to Gender Diversity.](#)