



## FAQ: BCGEU Capital Stewardship Program

June 2, 2020

The BCGEU's investment strategy objective: use capital stewardship and shareholder engagement to grow our assets and build a world that works for working people

The BCGEU's investment portfolio is funded by members' dues. With that in mind, our union developed a comprehensive capital stewardship program, including aggressive shareholder engagement tactics, with the goal of leveraging our power as investors to not only to protect and grow our members' assets but also to push the companies we invest in to take progressive action on issues that matter to working people like climate mitigation, enhanced corporate governance, human rights, and labour protections.

[What are shareholder engagement and capital stewardship?](#)

*Capital stewardship* is an investment strategy that seeks to ensure that funds invested on behalf of working people (i.e., workers' capital) are invested and managed in the long-term best interest of working people and that trustees of those funds are active and responsible stewards of workers' capital.

*Shareholder engagement* is the process by which investors in public companies leverage their position as shareholders to influence corporate decision-making. It can take a variety of forms from informal approaches focused on opening dialogue with companies (i.e., meetings, open letters, public campaigns) to filing and voting on shareholder resolutions at a company's annual general meeting.

Shareholder engagement is one way of approaching capital stewardship—moving from making investment decisions based on an ethical assessment of funds and companies to investors actively influencing the ethics of the funds and companies they invest in.

[How did the BCGEU get involved in shareholder engagement and capital stewardship?](#)

The BCGEU's shareholder engagement program started in 2014 with the union's divestment from fossil fuels as part of capital stewardship.

Paul Finch—the BCGEU's newly-elected treasurer and chief financial officer—sought and received approval from the provincial executive (PE)—our union's governance body—to divest the assets in the union's General and Defence Funds from fossil fuels as a means of de-risking and diversifying the union's investment portfolio.

The divestment strategy involved the creation of a "segregated fund"—as opposed to following the "pooled fund" strategy of the union's investment firm—and building an actively-managed Canadian equities portfolio. The segregated fund offered the union direct control over its proxy votes as an investor, which is a necessary condition for shareholder engagement.



Does engaging in capital stewardship mean the BCGEU is putting ethics ahead of returns?

No. It isn't an "either-or" it's an "also-and". The BCGEU's approach to investing members' dues is based on the belief that ethical investing provides superior risk adjusted returns over the long term. This belief is supported by the exceptional performance of the BCGEU's portfolio since divestment; it's shared by our union's global equities manager—Al Gore's [Generation IM](#); and it's reinforced by the experience of other unions that have implemented impressive capital stewardship programs including the Service Employees' International Union ([SEIU](#)), the United Food and Commercial Workers ([UFCW](#)), and [UNITE HERE](#).

What have the BCGEU's investment returns been like under capital stewardship?

Since divestment in 2014, the BCGEU's fossil fuel-free portfolio has grown to more than \$100 million [by what percentage or from what amount], and our Canadian investments have earned more than 12% above the TSX Composite (the "benchmark"). We attribute half of the superior performance of our investment portfolio directly to the decision to divest out of fossil fuels.

The divested portfolio has shown exceptional resilience in preserving its value during market downturns compared to the benchmark and the union can still access cash from the portfolio as needed to support members—for example, when they are at the bargaining table or on the picket line fighting for a better contract.

[Shareholder engagement: results](#)

In the 2019/2020 shareholder season BCGEU filed eight shareholder proposals, including:

- Royal Bank of Canada screened the U.S. private prison industry and has committed to publish a human rights position informed primarily by the requirements of the United Nations Guiding Principles on Business and Human Rights by October 31, 2020. This would make it the first Canadian bank to do so.
- The Bank of Montreal has agreed to examine ways to better manage climate risk and understand the complete carbon footprint of its lending and business activities, or "financed emissions". The bank will monitor developments and reporting from the Partnership for Carbon Accounting Financials (PCAF) and the Science Based Targets Initiative Financial Institutions Expert Advisory Group, two leading organizations in this field.
- Our union's strategy has succeeded in achieving strong commitments on [human rights due diligence](#), [vertical pay analysis](#), [food waste](#) and [climate disclosure](#). Our proposals have routinely [earned strong votes](#) of 20-40% at company shareholder meetings, and we are very proud of the burgeoning work we are part of in this field in Canada.