

Holding Business Accountable: The OMERS Approach

Presentation by
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to the
Canadian Centre for Ethics and Corporate Policy



Agenda

- **OMERS: Who We Are**
- **Investment Objective**
- **How We Invest**
- **Holding Corporations Accountable**
- **Summary**

OMERS: Who We Are

- **Pension plan for local governments in Ontario**
- **Formed in 1962**
- **300,000 members; 1,000 employers; 50 unions**
- **Large, very diversified institutional investor**
 - **\$35 billion assets**
 - **all asset classes; 45 countries**
 - **shares in 2000 companies**
- **Investment staff of 80 professionals**
- **Very long-term investor**

OMERS: Investment Objective

- **Grow the Fund to meet pension liabilities**
 - **realize shareholder value**
 - **ensure good governance**
 - **hold companies accountable**

OMERS: How We Invest

- **Disciplined evaluation process**
- **Criteria applied include:**
 - **financial evaluation**

OMERS: How We Invest

- **Disciplined evaluation process**
- **Criteria applied include:**

Strong corporate governance leads to growing shareholder value.

Directors' duty is to represent the best interests of shareholders ...

... by ensuring a good strategy, business efficiency, and long-term improved profitability

OMERS: How We Invest

- **Disciplined evaluation process**

TSE Guidelines: 100 points

- Board size
- Strategic planning involvement
- Majority of unrelated directors
- Independence: Non CEO Chair /lead director, etc.

OMERS Guidelines: 100 points

- Unequal or subordinate voting shares
- No poison pill
- Low option overhang
- Vesting schedule
- Excessive compensation, etc.

OMERS: How We Invest

- **Disciplined evaluation process**
- **Criteria applied include:**
 - **financial evaluation**
 - **governance practices evaluation**
 - **quality of management**
 - **regulatory compliance and litigation**
 - **social factors**
- **OMERS takes non-financials into account**

OMERS: How We Invest

- **Encourage ethical standards of behaviour**
 - **accountability for performance**
 - **public disclosure of information**
 - **and compliance with policies articulated**

**Where companies fail to disclose,
OMERS may challenge them**

Holding Corporations Accountable

**Corporate Governance challenges is the way
OMERS influences corporate behaviour**

Holding Corporations Accountable

Corporate Governance challenges is the way OMERS influences corporate behaviour

- **Primary means – voting our shares**

BASIC PRINCIPLES:

- **Alignment of interest**
- **Accountability**
- **Responsiveness**

Holding Corporations Accountable

**Corporate Governance challenges is the way
OMERS in**

- **Primary**
- **Publish**

Proxy Voting Guidelines

- **General guidelines**
- **Board of Directors**
- **Executive Compensation**
- **Takeover Protection**
- **Shareholder Rights**
- **Social Responsibility, Ethical and Environmental Considerations**

Holding Corporations Accountable

Corporate Governance

OMERS influence

- Primary means
- Publishing o
- Undertake es

Escalating Actions

- write senior management
- meet with management
- meet with member(s) of Board
- support motions others at AGM
- table motion AGM
- engage in legal action

Holding Corporations Accountable

- **Other ways include:**

- **addressing issues in public meetings**
- **using the media**
- **contacting industry associations / interest groups**
- **lobbying regulatory authorities**

Summary: OMERS

- In general can't ignore/sell
- Vote shares to manage relationship
- Shareholder activist – deem shareholder interests violated
- Ethics activist – corporations not socially, environmentally or ethically responsible
- Use persuasion – escalating process
- Try to “walk the talk” at OMERS

Social Responsibility, Ethical and Environmental Considerations

In general, vote in support of:

- **disclosure of risks arising from social, environmental and ethical issues;**
- **assessments of the impact of social, environmental and ethical issues;**
- **pursuit of fair human rights and labour practices;**
- **companies instituting policies and procedures aimed at mitigating the risks associated with social, environmental and/or ethical issues; and**
- **a process for verification of compliance with a company's policies and procedures providing costs are reasonable.**



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