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No denying the changing climate for responsible investing

An ever-increasing number of investors are embracing responsible investing (RI), as evidence mounts of its effectiveness

RI assets soar through the ozone layer

Choosing assets to invest in that reflect the ethical or moral values of an investor – or avoiding assets that do not – has existed for centuries. In North America, it is believed that the first ethically driven investments were those that avoided any business that involved slavery.

The modern-day investment industry offers various types of conscientious investment options, from Socially Responsible Investing (SRI) to the integration of environmental, social and governance (ESG) principles into the analysis of a company and the way it is managed.

In Canada, the RI trend is growing rapidly, mostly under ESG integration mandates. Today, over $2 trillion of investment assets are managed using RI strategies, an amount that covers over 50% of all Canadian assets under management. And, the trend shows no sign of abating: between 2015 and 2017, RI assets increased at a rate of 42%*.

While the trend towards RI is strong, challenges to its adoption remain, including making sense of the various RI options and overcoming the myth that RI hurts returns.

Clearing the smog: what is responsible investing?

One of the ways that investors can make better choices when seeking to align their investments with their values is to better understand their options. The following are key elements within the RI ecosystem:

- **ESG integration:** inclusion of environmental, social and governance (ESG) factors as a component of fundamental analysis to identify potential sources of risk reduction.

- **Socially Responsible Investing (SRI)**, which includes:

    - **Impact investing:** allocating funds to earn a financial return alongside measurable social and environmental impact.

    - **Positive screening:** using ESG factors to select specific companies or sectors.

  - **Negative screening:** using ESG factors to exclude specific companies or sectors.
  - **Sustainability themed:** building portfolios that only include investments that meet specific ESG criteria.
- **Engagement:** seeking to influence corporate behavior through direct engagement, proxy voting and/or shareholder proposals.

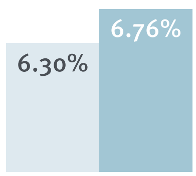
Endangered myth: does RI hurt returns?

As investors seek more investment opportunities that can help them align their values with their portfolios, they are often left to overcome the long-standing concern that RI hurts investment returns. Fortunately, this myth is rapidly fading, as evidence mounts that the application of ESG integration actually enhances the ability to identify highly effective management teams, which can enhance financial performance.

Good karma

Ultimately, RI, and in particular ESG integration, are a rising tide that seems unstoppable. As investors evolve their understanding of the impact RI can make, the convergence of investor values with wealth building will help further confirm a rather convenient truth: doing the right thing can help you reach your goals.

To learn more, please contact us today.



The Jantzi Social Index outperformed the S&P/TSX 60 index 6.76% vs. 6.30% **between 2000-2017.**[**]

[*] Responsible Investment Association, 2018 Canadian Responsible Investment Trends Report (2018).

[**] The Jantzi Social Index (JSI) was launched in January 2000 in partnership with Dow Jones Indexes. It is a socially screened, market capitalization-weighted common stock index modeled on the S&P/TSX 60 consisting of 50 Canadian companies that pass a broad set of ESG criteria.