

# Responsible Investment

## Introduction to Responsible Investment

### What is Responsible Investment?

Markets can be uncertain and present many unknown risks to your financial future. Are you concerned about the financial, social or environmental impact of controversies such as BP's Deepwater Horizon oil spill, the collapse of the Rana Plaza garment factory in Bangladesh or Pacific Gas and Electric's (PG&E) bankruptcy related to the California wild fires?

Responsible Investment is an approach that refers to the incorporation of Environmental, Social and Governance factors (ESG) into the financial analysis and investment decision making process with a goal of generating sustainable long-term returns.

Above are examples of how corporate governance practices, environmental or social issues can affect your financial future. The list below provides examples of some common ESG factors.

#### Examples of ESG Factors

##### **Environmental**

- Climate change (physical & transition risk)
- Water scarcity
- Resource depletion
- Energy efficiency
- Carbon emissions
- Biodiversity

##### **Social**

- Human rights issues
- Gender & diversity policies
- Labour standards
- Privacy protection
- Data protection
- Supply chain

##### **Governance**

- Board diversity & structure
- Bribery & corruption
- Tax strategy
- Audit committee
- Executive compensation

Sources: Principles for Responsible Investment; <https://www.unpri.org/pri/what-is-responsible-investment>; GAMCO Asset Management; Why ESG Matters, Morningstar; What's in a Name? The Many Dimensions of Sustainable Investing, TD Ameritrade; Explore Choices in Socially Conscious Investing.

Enhance and broaden traditional financial analysis while aligning your investment portfolio with your values to make a positive impact on society and the environment.

### Why Responsible Investment?

According to the Responsible Investment Association of Canada's 2018 Canadian Responsible Investment Trends Report, the top 3 reasons why institutional investors consider ESG factors in their investment decisions are because these factors help institutional investors to: 1. Minimize risk over time 2. Improve returns over time 3. Meet client or beneficiary demand.

Implementing Responsible Investment enhances the understanding obtained by traditional financial evaluation. This helps you gain greater insights into a company's culture, operations, products, services and management practices allowing you to consider all material information both financial and non-financial to better understand and consider the long-term risks and opportunities a company faces. At the end of the day, Responsible Investment is about making more informed investment decisions.

