

# Responsible Investment 101

## An Introduction to Responsible Investing

### What is Responsible Investment?

Responsible investment (RI) is the incorporation of environmental, social and governance (ESG) factors into the selection and management of investments.

Responsible investing is about your values and the issues that matter to you, but it's also about making better, more informed investment decisions.

In a world where issues such as climate change, water scarcity and human rights dominate the business pages, conventional investments that do not consider these issues are ignoring important information that can have negative impacts on society and your investment returns.

By choosing RI, you can align your portfolio with your values while contributing to positive societal change.



### Environmental, Social and Governance (ESG) Issues

Below are a few examples of issues that investors may wish to consider from both a values perspective and a business perspective. Responsible investments take these and other issues into account.

#### Human and Labour Rights

In 2013, the tragic collapse of a garment factory in Bangladesh attracted worldwide attention. The deaths of more than 1,100 garment workers show how a company's business decisions can have serious consequences for workers.

#### Climate Change

Climate change is more than just an environmental issue; it's a business issue as well. Extreme weather, rising sea levels, droughts and other climate-related events can disrupt markets and erode the long-term profitability of companies.

#### Water Scarcity

The Earth's supply of freshwater is limited and the demands upon it are increasing. Water is an important issue to investors because companies that don't manage their exposure to water risks can face business interruptions or reputational risks if a local community's water is affected.

## Board Diversity

Corporate boards should reflect the diversity of their workforce and society. There is compelling evidence showing that the presence of women on boards can improve financial performance.

## Executive Compensation

Executive compensation has grown at a much faster rate than wages paid to the average Canadian worker. This can contribute to social inequality. Responsible investment funds advocate for fairer compensation practices.

These are just a few of the issues considered by responsible investors.

## Financial Performance

There is a growing body of evidence showing that responsible investments meet, and often exceed, the performance of traditional investments and have a positive societal impact. Investors don't have to choose one over the other.

A 2015 study done by Carleton University showed that in addition to providing solid financial returns for investors, Canadian RI mutual funds demonstrated their ability to reduce risk and provide better downside protection in investment portfolios than traditional equity funds.

And nearly every comparison of RI versus traditional investment returns points to better long-term risk adjusted returns when environmental, social and governance issues are taken into account.

As a result, responsible investing is becoming mainstream in Canada and around the world.

## RI Assets are Growing

The RIA's 2016 Canadian RI Trends Report reported that responsible investment assets had grown by a staggering 49% in two years.

That's more than \$1.5 trillion in responsible investments - a whopping 38% of the Canadian investment industry. And RI mutual funds grew by 24%, reaching over \$8 billion in assets.

Learn more about Canadian RI trends [here](#).

## RI Products

Responsible investment funds and other products are available across all major asset classes. Some examples include:

- Fossil fuel free and low carbon funds.
- Green funds that focus on solutions.
- RI funds that engage with companies about environmental, social and governance issues.
- RI funds that *include* the most responsible companies in their class and *exclude* companies that are not responsible.
- GICs that contribute to positive societal impacts.

## Learn More

Ask your financial advisor about your responsible investment options.

Learn more at [www.riacanada.ca](http://www.riacanada.ca).