



Responsible Investment Association

Investing for the Future

An Introduction to Responsible Investment

**Ryerson University Institute for the
Study of Corporate Social Responsibility
January 18, 2019**







Agenda

- 1. What is responsible investing (RI)?**
- 2. How does it work?**
- 3. Why does it matter?**

What is Responsible Investing?

Responsible investing refers to the incorporation of environmental, social and governance factors (ESG) into the investment decision-making process.

SRI

Ethical Investing

Community Investing

Mission-Based Investing

Social Finance

Ethical Investing

Green Investing

Impact Investing

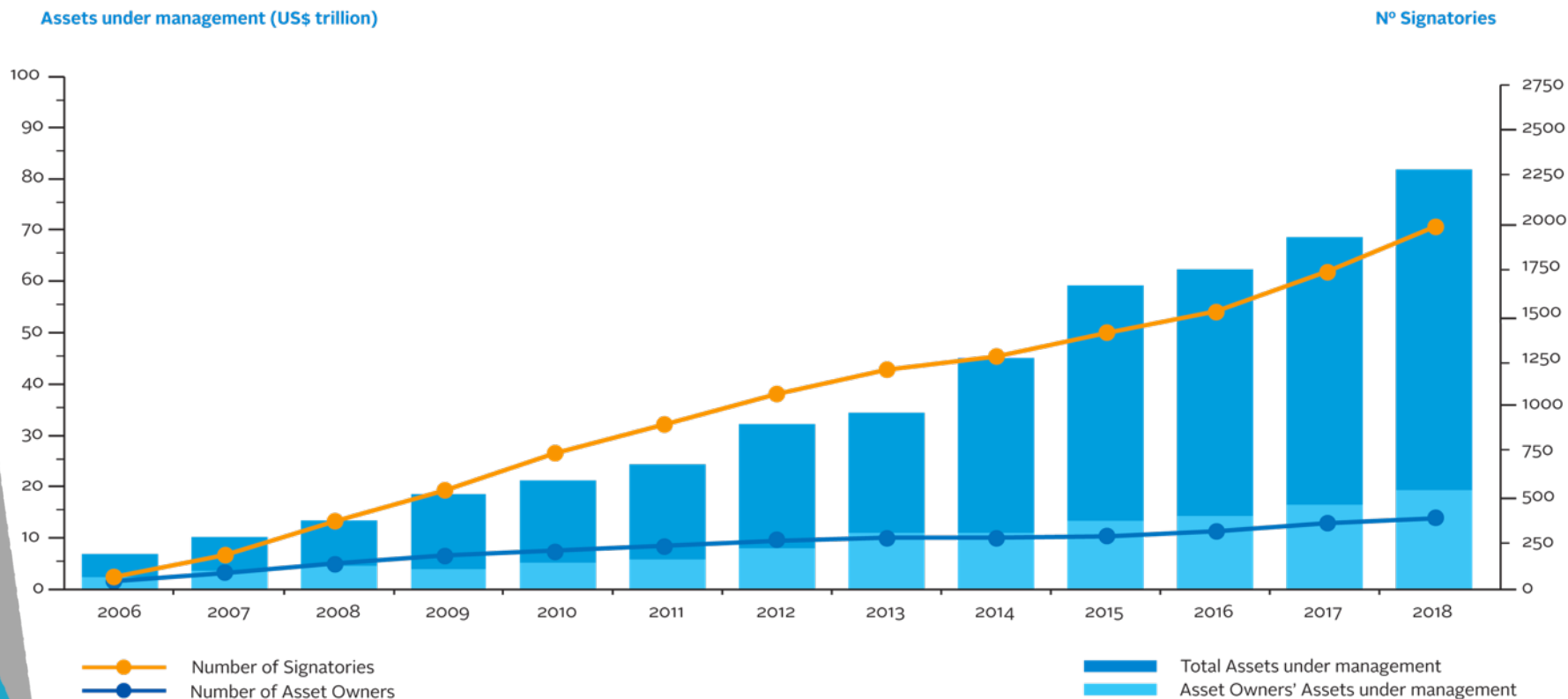
ESG Issues

- **Climate change**
- **Water scarcity**
- **Supply chain**
- **Executive compensation**
- **Corporate diversity**
- **Aboriginal & community relations**



Global RI Market Growth

PRI signatory growth signals widespread adoption of RI in global institutional market.

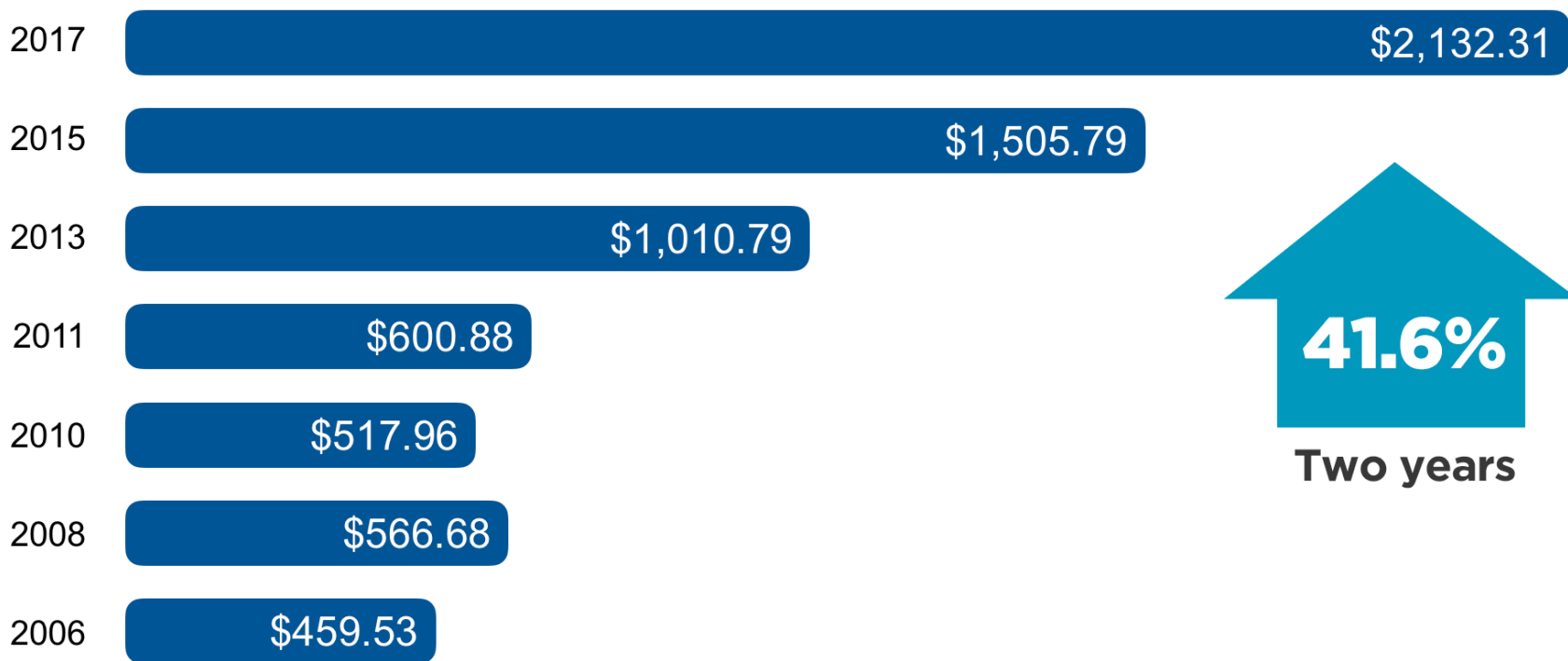


Source: <https://www.unpri.org/pri/about-the-pri>

Canadian RI Market Growth

Canada's responsible investment industry is growing rapidly, now at **\$2.1 Trillion**

Canadian RI Industry Growth (billions)



Source: 2018 Canadian Responsible Investment Trends Report, RIA

Investor Interest in RI

71% of Canadian investors agree that companies with good ESG practices are better long-term investments

66% would like to invest in companies that are combating climate change and other environmental issues

81% are NOT familiar with RI

Implication:

RI will continue to grow as more investors become aware of it

How Does Responsible Investment Work?

RI Strategies

- 1. Negative or positive screening**
- 2. ESG integration**
- 3. Shareholder engagement**
- 4. Thematic investing**
- 5. Impact investing**



Why Does Responsible Investment Matter?

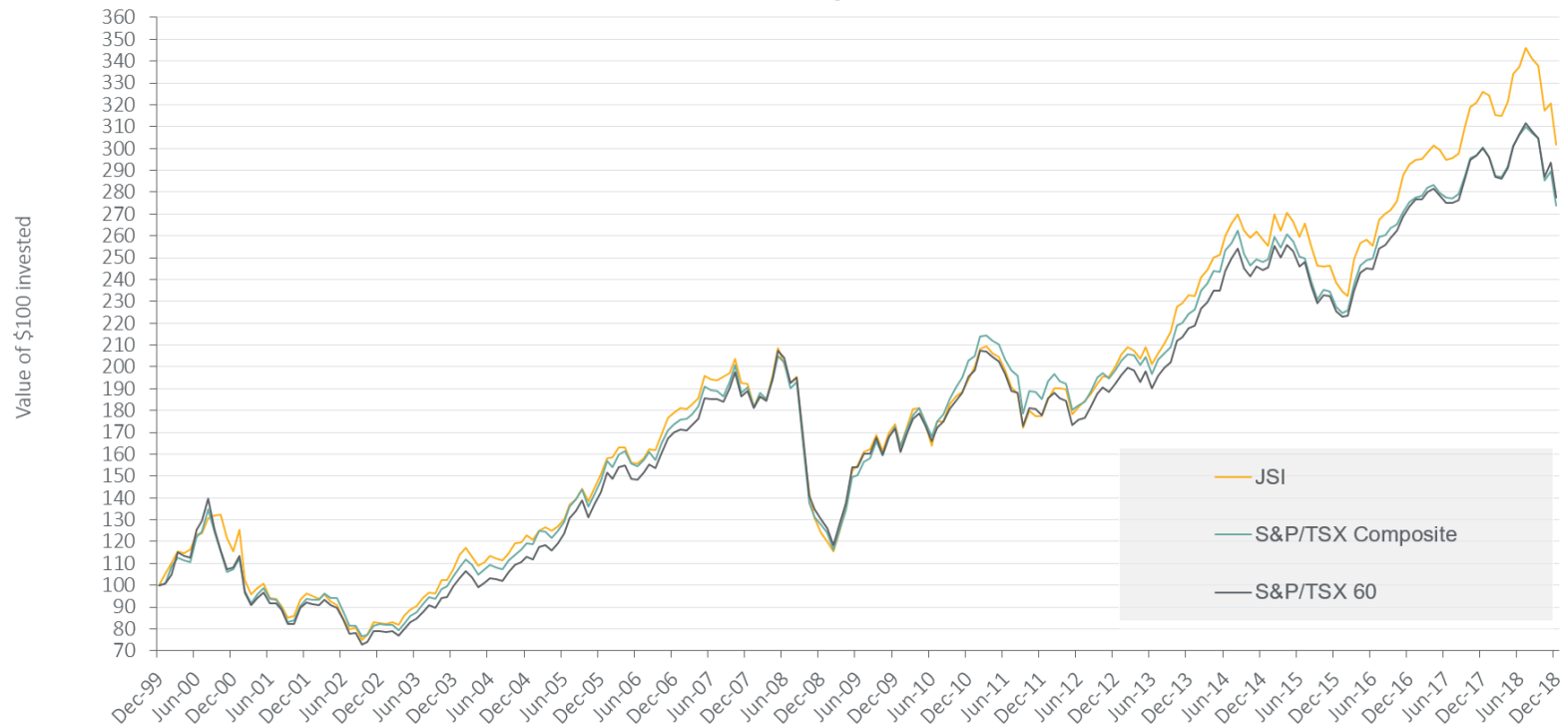
Investor Motivations for RI

What is motivating institutional investors to incorporate ESG factors?

- 1 Manage risk**
- 2 Improve returns over time**
- 3 Meet client/ beneficiary demand**
- 4 Fulfill fiduciary duty**

Jantzi Social Index

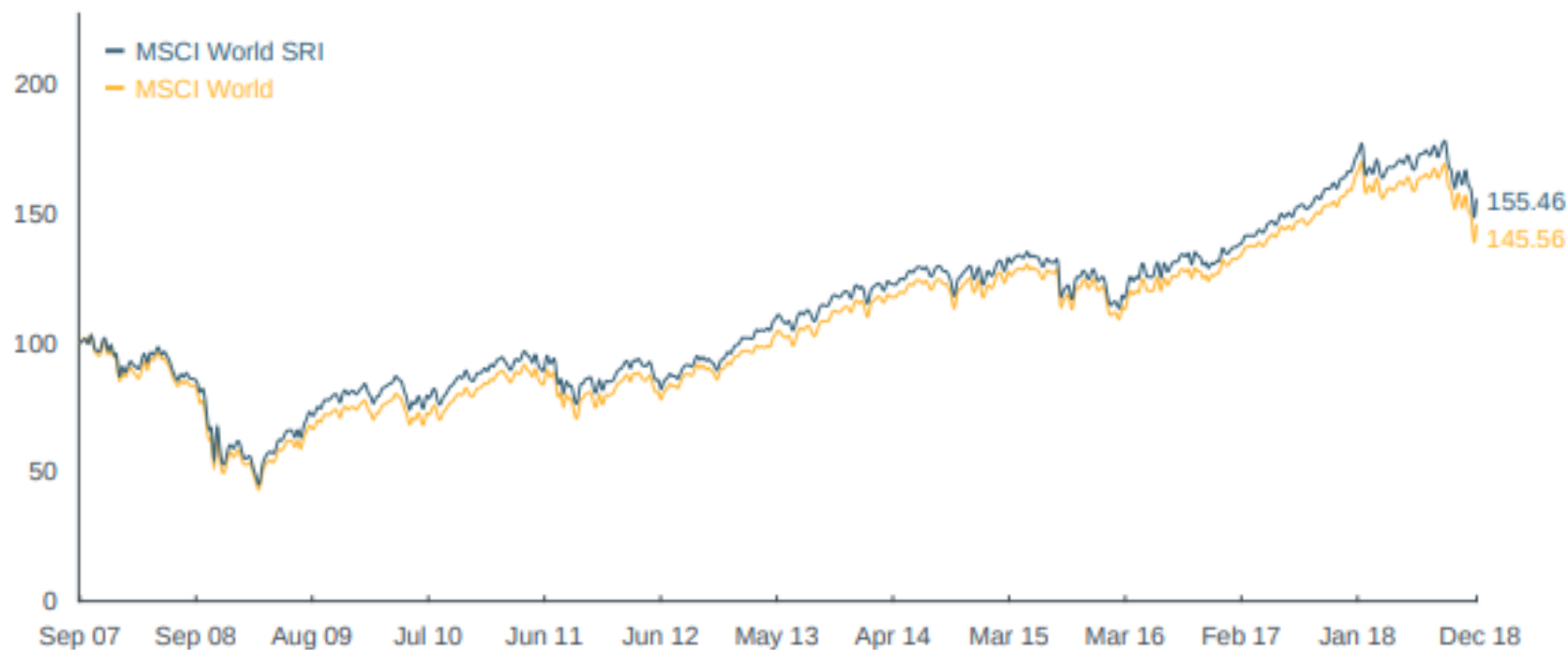
Comparative Returns: January 2000 - December 2018



Source: <https://www.sustainalytics.com/jantzi-social-index/2018>

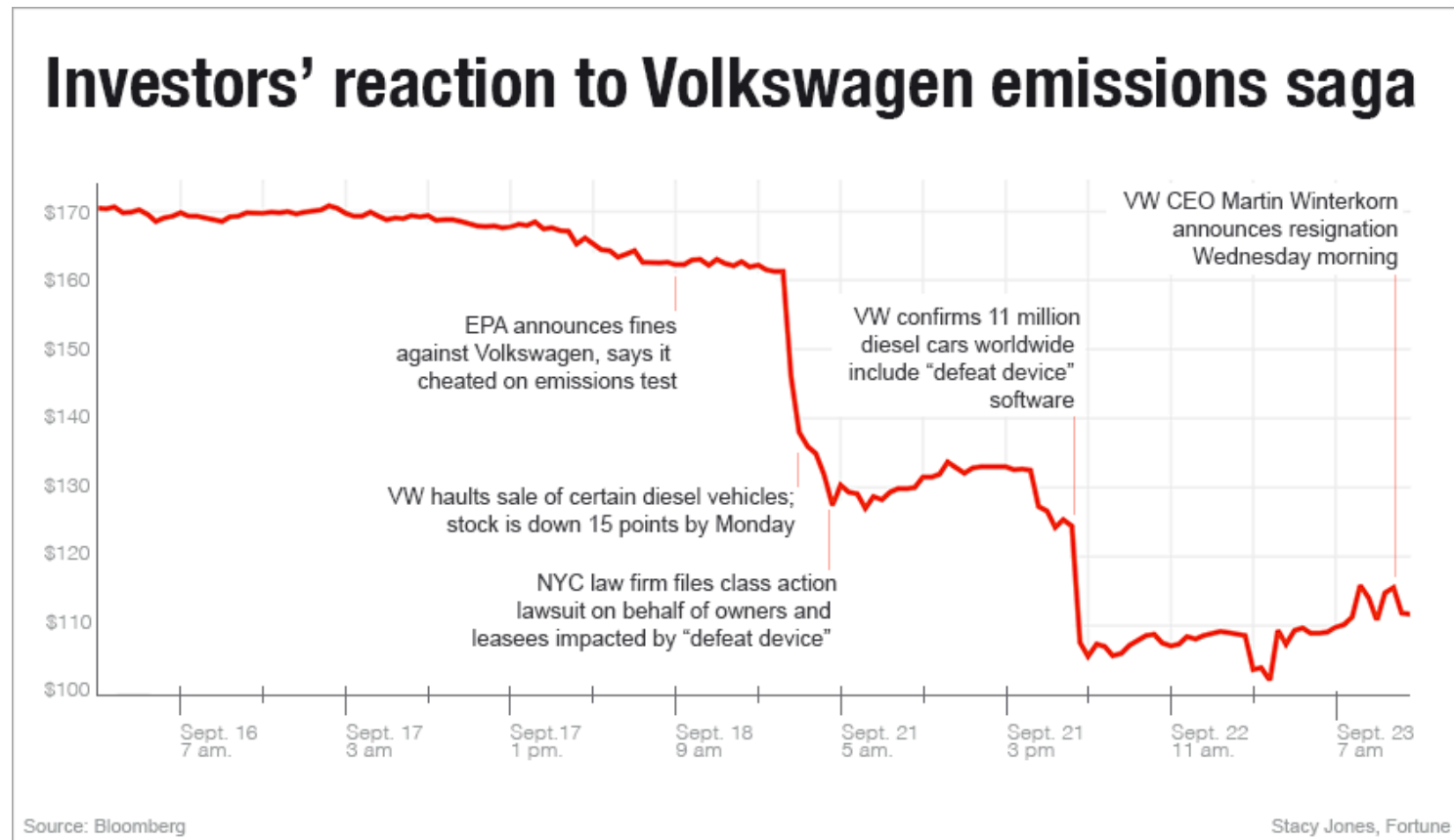
MSCI World SRI Index

CUMULATIVE INDEX PERFORMANCE - NET RETURNS (USD) (SEP 2007 – DEC 2018)



Source: <https://www.msci.com/documents/10199/486d87c0-6979-42c3-9d75-53fb018b7fe7>

ESG Risk: Volkswagen (2015)

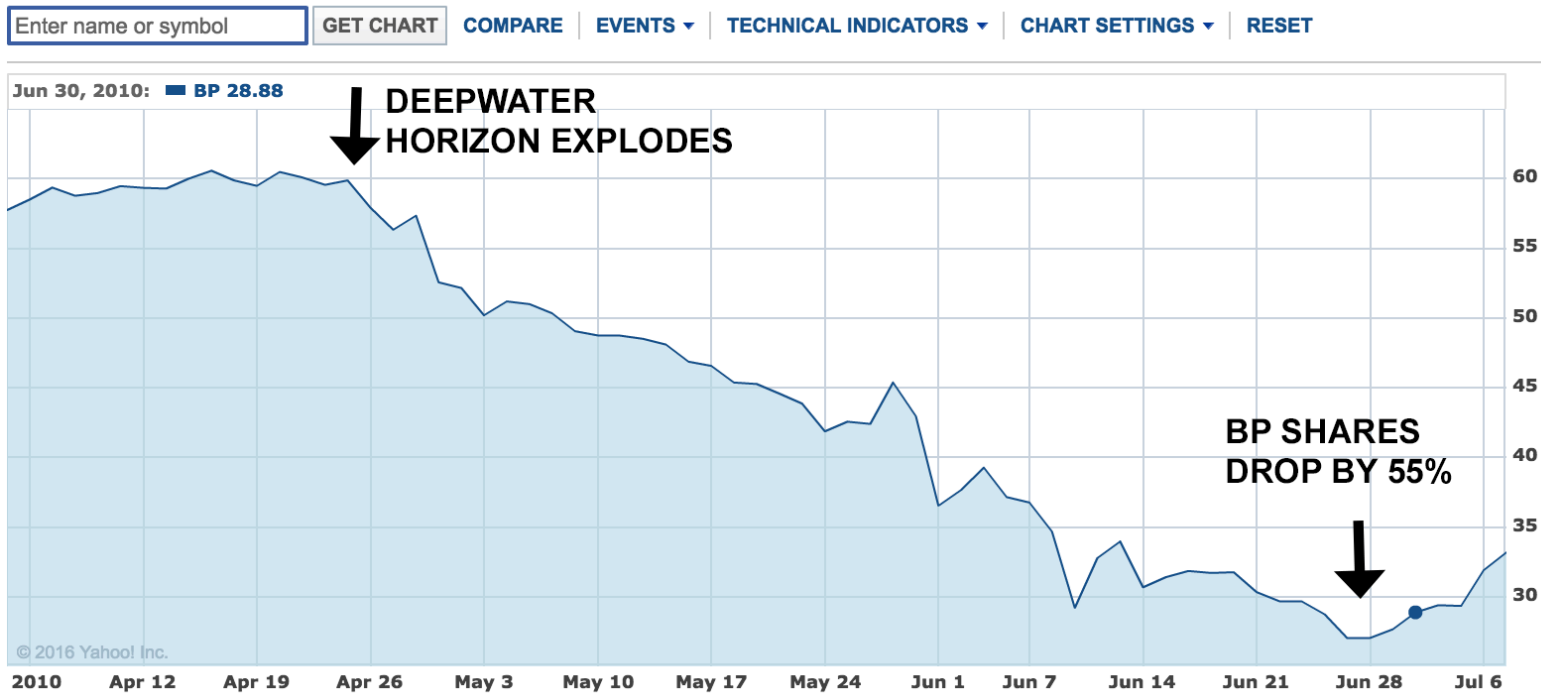


Volkswagen shares plummeted 35% in less than a week due to poor corporate governance.

ESG Risk: BP (2010)

BP p.l.c. (BP) - NYSE

33.32 +0.18 (0.54%) 4:00PM EDT | After Hours : **33.62** +0.30 (0.90%) 5:16PM EDT



BP shares plummeted 55% after Deepwater Horizon exploded. BP was cited for 720 health & safety violations leading up to explosion.

So... Why Does RI matter?

1

Improve risk management

2

Enhance long-term returns

3

Investing for the future

Learn More

www.riacanada.ca

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**“The more we invest
with foresight, the
less we will regret in
hindsight.”**

**Mark Carney,
Governor, Bank of
England**

