

## Responsible Investing in 2018

The Principles for Responsible Investment are an initiative of the United Nations. In 2005, major global investors were invited to develop a set of general principles for good conduct with a focus on responsible investment.

### The PRI can be Summed up in 6 Principles

**PRINCIPLES for RESPONSIBLE INVESTMENT**

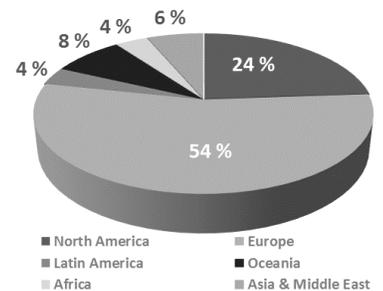
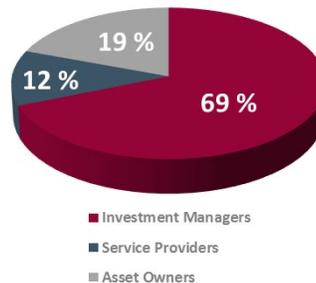
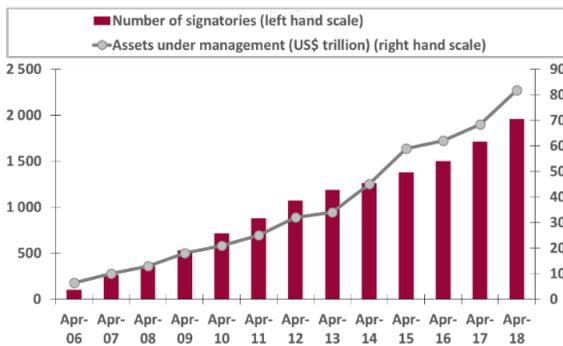
**ENVIRONMENTAL, SOCIAL and Corporate GOVERNANCE Issues**

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

*“The Principles for Responsible Investment aim to help integrate consideration of environmental, social and governance (ESG) issues by institutional investors into investment decision-making and ownership practices, and thereby improve long-term returns to beneficiaries.”(Excerpted from Principles for Responsible Investment, UN).*

### Responsible Investment in the World

PRI’s signatory base represents US\$81.7 trillion of assets under management as of April 2018.



Source: UN PRI Website – To learn more, visit <https://www.unpri.org/>

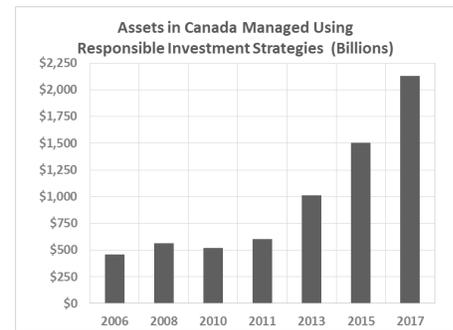
## Responsible Investment in Canada

As of December 31, 2017, responsible investment (RI) represents:

50.6% of Canada's investment industry.

41.6% increase in assets in Canada being managed using one or more RI strategies since the end of 2015.

65% of the RI assets under management are pension fund assets.



Source: RIA 2018 Canadian Responsible Investment Trends Report. For more information, visit [www.riacanada.ca](http://www.riacanada.ca).

**4 Top Motivations** of asset managers and owners for incorporating ESG factors into investment decisions:

1. Managing risk.
2. Improving returns over time.
3. Meeting client/beneficiary demand.
4. Fulfill fiduciary duty.

### 4 Most Popular RI Strategies

1. **ESG integration:** the process of systemically embedding ESG factors into traditional financial analysis.
2. **Shareholder engagement:** a form of active ownership that leverages shareholder power to improve corporate ESG practices.
3. **Norms-based screening:** aligning investment policies with international standards such as the United Nations Global Compact, UN Guiding Principles for Business and Human Rights, OECD Guidelines on Multinational Enterprises, and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.
4. **Negative Screening/Exclusion:** the systematic exclusion of specific companies, industries or sectors from the investible universe based on ethical considerations or negative ESG characteristics.

## RI in Action

ESG integration can help identify risks and opportunities not visible with traditional financial analysis alone. For example, when running a discounted cash flow (DCF) model, an analyst may adjust the discount rate based on a company's exposure to water scarcity risks.

According to the RIA survey, corporate governance, climate change, and executive compensation were the most commonly addressed issues as part of shareholder engagement.

Green Bonds, a bond whose proceeds are used to fund environment-friendly projects, are becoming increasingly popular. Green bond issuance in Canada for 2017 exceeded all previous 3 years combined. In June 2018, Canada Pension Plan Investment Board (CPPIB) issued Canada's largest green bond to date, worth C\$1.5 billion.

In part due to the work being carried out by Dr. Bronwyn King and her colleagues at Tobacco-Free Portfolios, large institutions have signed the Tobacco-Free Finance Pledge to divest of tobacco companies.

Source: RIA 2018 Canadian Responsible Investment Trends Report. For more information, visit [www.riacanada.ca](http://www.riacanada.ca).

## PBI, a PRI Signatory

As a signatory of the Principles for Responsible Investment (PRI), PBI Actuarial Consultants provides annual financial support to the PRI Initiative. As pension and investment consultants, we also actively promote the PRI. PBI's commitment is intended to be a tool for pension committee members and trustees who have a fiduciary responsibility in the administration of their plan's assets. We believe that as institutional investors, pension funds have long-term investment goals which are complementary with the primary objective of the PRI.