



Sustainable Investing

What is Sustainable Investing?

An investment strategy that incorporates environmental and social factors into the investment selection process

- Socially Responsible Investing (SRI)
- Environmental, Social & Governance Investing (ESG)
- Ethical investing
- Impact investing





How we travel



How we eat



How we volunteer



How we consume

What's changing

- Investors are increasingly interested in **aligning their investments with their values & principles**
 - 38% jump in SRI investing since 2016
 - Millennials leading the way (2x more likely than Boomers to own an SRI investment)
- SRI investment performance is improving
 - In 2019, 65% of ESG funds ranked in the top half of their category
- More choice
 - Record number of ESG funds launched in 2018-19

A broad range of issues

ENVIRONMENTAL

Climate change, carbon emissions, air/water pollution, clean energy, waste management

SOCIAL

Labour standards, human rights, gender diversity, health & safety

GOVERNANCE

Executive compensation, Board transparency, lobbying, political involvement

What do these four men have in common?





\$100 MILLION

Prize Purse

XPRIZE Carbon Removal is aimed at tackling the biggest threat facing humanity — fighting climate change and rebalancing Earth's carbon cycle. Funded by Elon Musk and the Musk Foundation, this \$100M competition is the largest incentive prize in history, an extraordinary milestone.

The tipping point?

Larry Fink
Chairman & CEO

BlackRock[®]

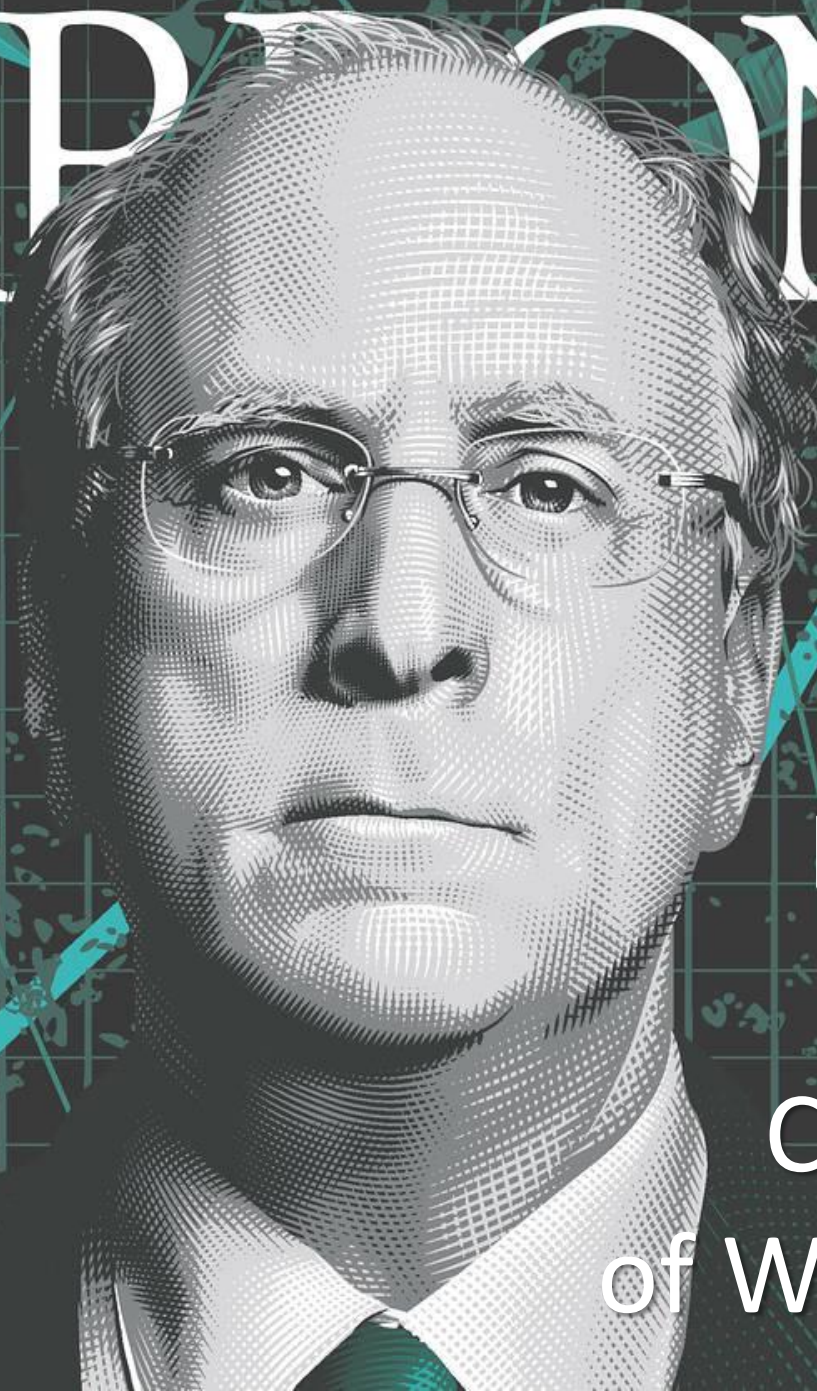
World's largest investment
management company
(\$8.67 trillion – est. 10%
of total global wealth)



BARRON'S

VOL. XCVIII NO. 26

JUNE 25, 2018 \$5.00



Larry Fink:
The New
Conscience
of Wall Street?



BlackRock announces plans to move away from fossil fuels

“A seismic change” – The New Yorker

“We believe that sustainability should be our new standard for investing.” – Larry Fink

Risks to the Canadian economy

Bank of Canada report paints a gloomy picture:

- “Significant economic dislocation” (supply & demand shocks)
- Flight of capital & labour
- Disruption to companies, consumers & investors
- Existing fossil fuel reserves will become stranded assets
- Projected to impact multiple industries
 - Oil & gas
 - Transportation
 - Agriculture

Source: *“Researching the Economic Impacts of Climate Change”*
Bank of Canada, November 2019

The Great ENERGY TRANSITION



With change
comes
opportunity

- Economic tailwind for environmental sector
- New technologies are often misunderstood, so they may be mispriced
- Fastest business growth often at inception

From digital tech boom to green tech boom?

China
plans to
more than
double its wind
& solar energy
output by
2030

China Vows Green Energy Boom, Triggering Race For Battery Tech



Ken Silverstein Senior Contributor © ⊕

Energy

I write about the global energy business.

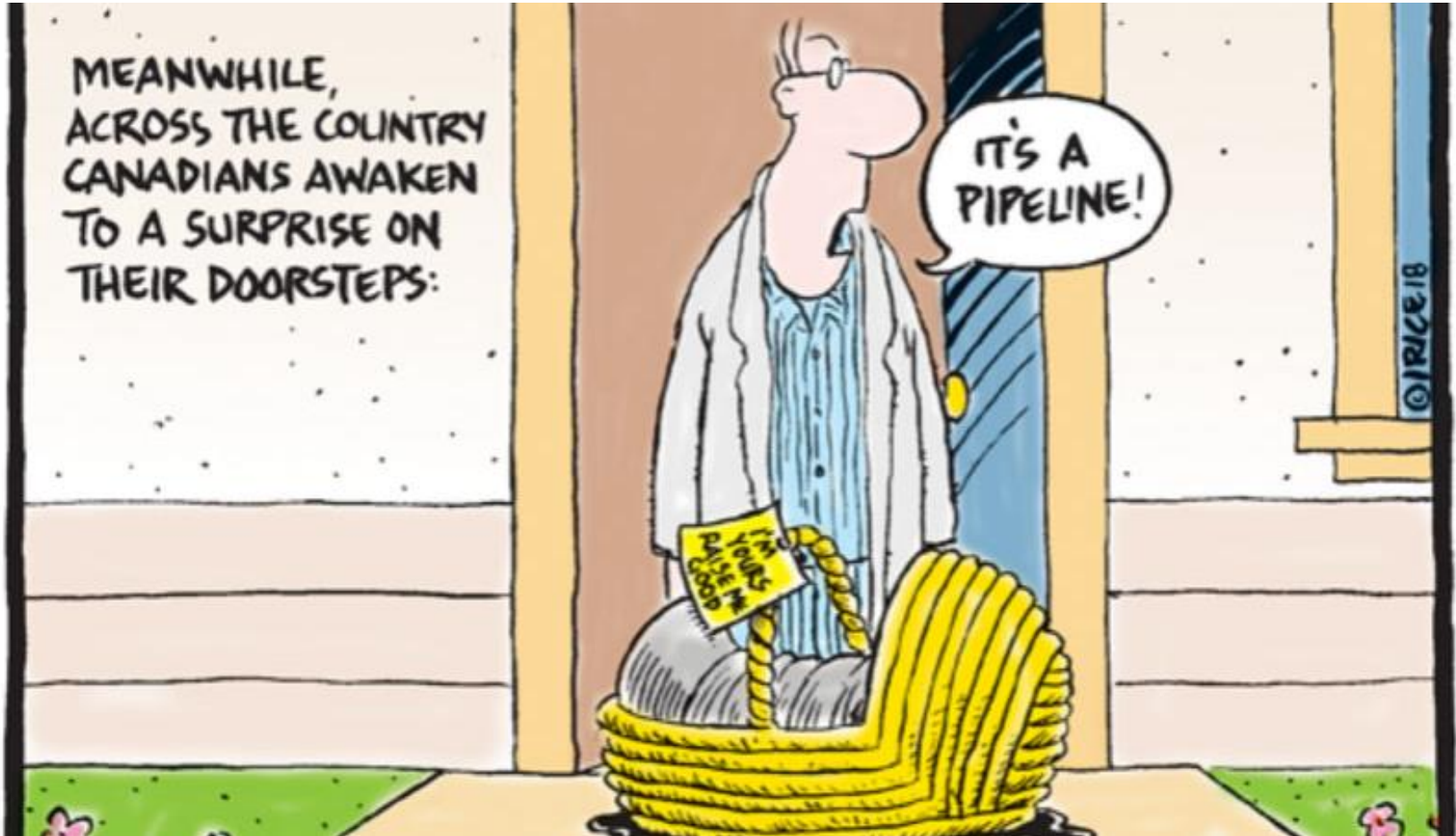


Canada's commitment to fighting climate change

- ✓ 1992 Earth Summit
- ✓ 2002 Kyoto Protocol
- ✓ 2009 Copenhagen Accord
- ✓ 2015 Paris Agreement



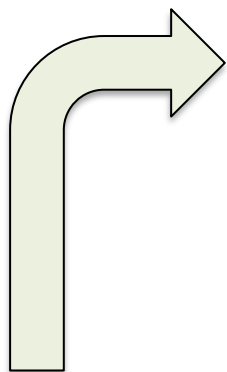
Federal government buys Trans Mountain pipeline for \$4.5 billion



The Evolution of SRI

PHASE	DESCRIPTION
1. Awareness	Incorporating ESG considerations into the financial analysis of a potential investment
2. Exclusion	Deliberately filtering out investments in socially unpopular sectors (e.g. tobacco)
3. Inclusion	Consciously seeking out investments with a positive ESG impact (e.g. clean energy)
4. Thematic	Investing based on a specific theme, e.g. renewable energy or women in leadership
5. Advocacy	Proactively engaging with companies to improve their positive ESG impact

Raising the bar



ESG Integration

Focuses on how companies behave

Environmental investing

Focuses on what companies produce and sell

Negative screening: the Big Six

- Alcohol & Tobacco
- Military/Weapons
- Nuclear Power
- Pornography
- Gambling/Gaming
- Fossil Fuels





In 2007 Canada's big five banks provided more than \$150 billion in loans and other financial support for fossil fuel production.

Source: "Financing Global Warming", Rainforest Action Network

Positive screening

- Labour relations
- Workplace standards
- Community investment
- Environmental
- Corporate governance
- Business practices



How to measure sustainability

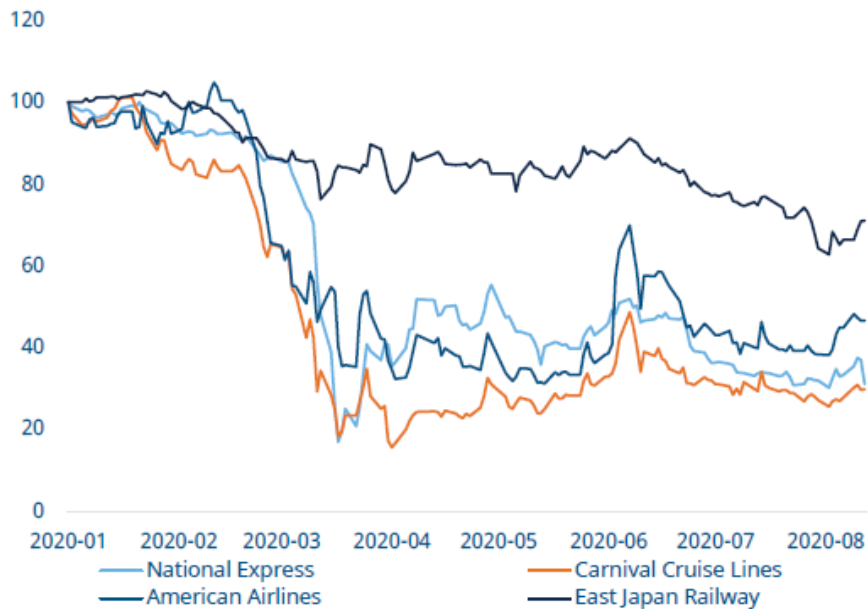
- UN Principles for Responsible Investment
- Morningstar Sustainability Rating
 - Measures a company's ESG risk relative to its peers
 - Top score = top 10% ranking in its category
- S&P Global Ratings ESG Evaluation
 - Sector-specific; launched in 2019
- Fund company in-house analysis & partnerships
 - e.g. Sustainalytics

Investment options in the environmental sector

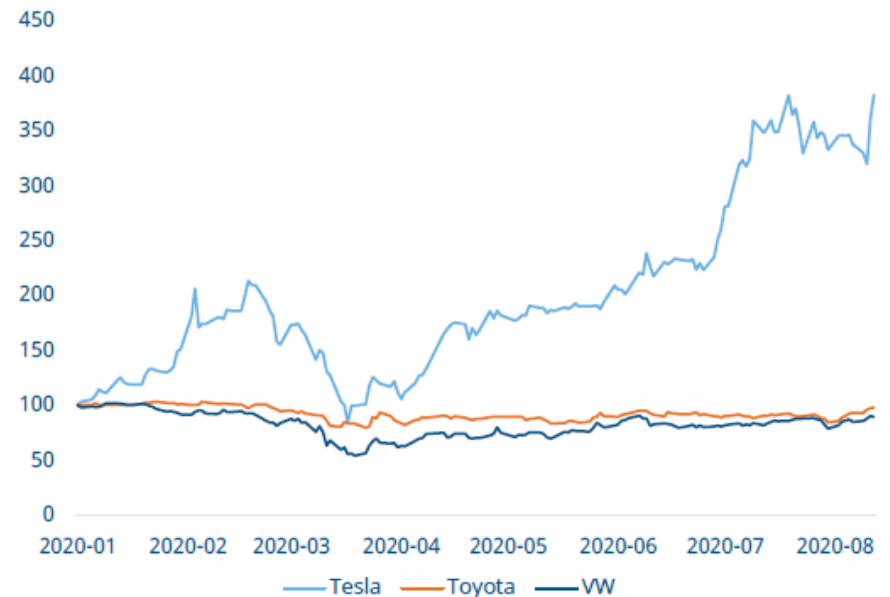
Clean Energy	Energy Efficiency	Clean Technology	Sustainable Agriculture	Water	Transportation
Renewable utilities	Building management and efficiency	Waste management and pollution controls	Food processing/logistics	Water utilities	Transportation operators
Renewable equipment	Lighting	Software and logistics	Agricultural inputs	Water equipment	Transportation equipment
Electric infrastructure	Engineering/ Consulting	Advanced materials	Sustainable food retail		Diversified Environmental Leaders
Energy storage equipment	Power Management	Metering and monitoring	Sustainable forestry		
Renewable fuels	Automation and drives	Industrial efficiency			

Transportation: the direction is clear (and clean)

Select Travel Operators Stock Performance (2020)

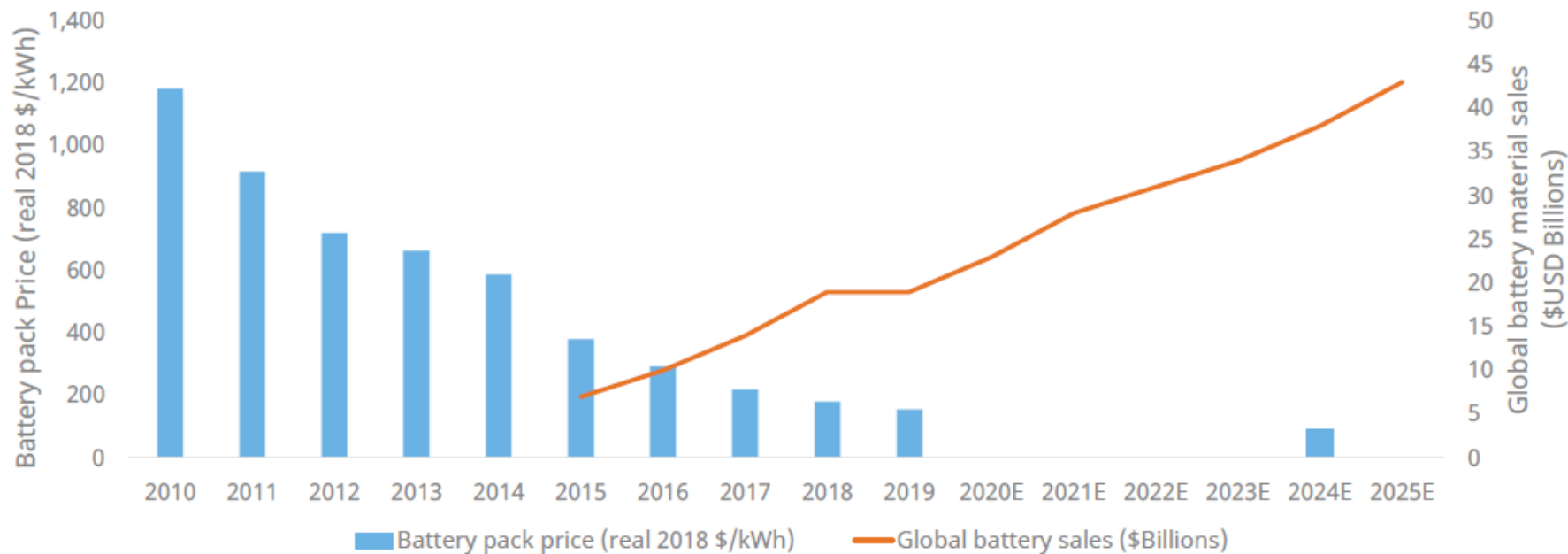


Select Auto Manufacturers Stock Performance (2020)



Source: Bloomberg August 13, 2020

Batteries: prices are decreasing



Bloomberg estimates that for every doubling of volume history has shown an 18% decline in cost. Based on this they estimate \$94 by 2024 and \$62 by 2030.

Source: BNE Finance February 2020, JP Morgan July 2019

Packaging:

Canadian online sales have almost doubled since the start of the pandemic



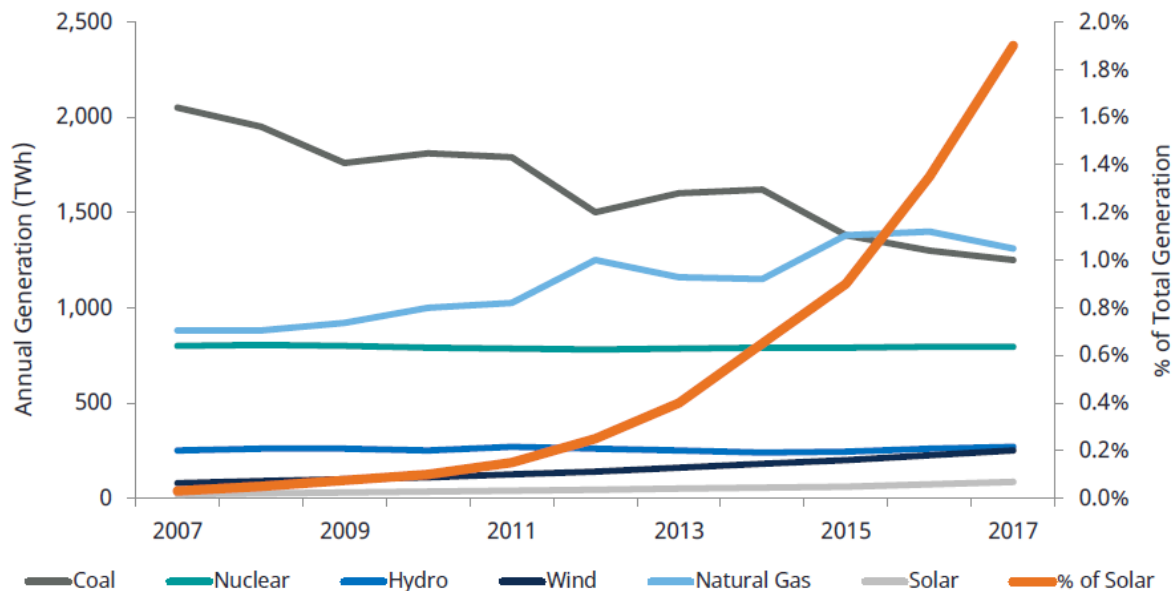
Food: the quest for a climate-neutral cow

- The cattle industry produces 40% of the world's methane gas emissions from food production
- Farming accounts for 70% of global water use
- Agriculture represents 25% of greenhouse gas emissions



Renewable energy: fossil fuels are fading

U.S power generation 2007-2017



- Coal and natural gas have been heading in opposite directions
- The percentage of electricity generated by fossil fuels has dropped from 72% to 61%, while renewable generation has increased from 8% to 17%
- The percentage of solar generation has increased a whopping 59x since 2007

Source: NREL, EIA



Europe makes history in 2020

For the first time,
renewable energy
provided more
electricity to
Europeans than
did fossil fuels

Environmental activist Greta Thunberg

An aerial photograph of a solar field. In the foreground, a large number of blue, hexagonal mirrors are arranged in a grid pattern on a sandy, arid landscape. In the background, there is a green fence and a line of trees. On the left side, a white sign with the Heliogen logo and the text 'REPLACING FUELS WITH SUNLIGHT' and 'HELIOGEN.COM' is visible. A large, semi-transparent white circle is overlaid on the left side of the image, containing text and a list of bullet points.

Heliogen
REPLACING FUELS WITH SUNLIGHT
HELIOGEN.COM

Heliogen: energy breakthrough from a solar startup

- Mirrors used to create a “solar oven” with temperatures up to 1000 degrees Celsius
- Can make products like cement without high electricity demands & CO2 emissions

Why invest in an
environmental-
themed fund?

Follow the money

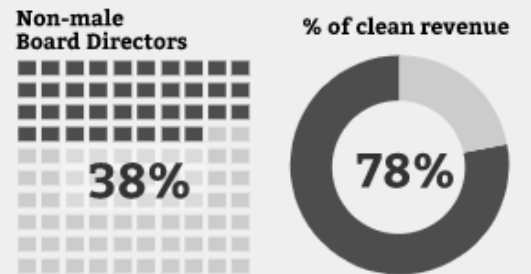
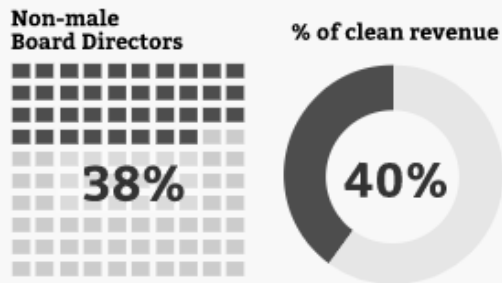
In order to meet the reduced CO2 emission target set out in the Paris Agreement, an additional **\$60 trillion** USD will need to be invested in renewable energy & carbon-reducing technologies by 2050.

Look at what's under the hood



Canadian companies helping lead the way

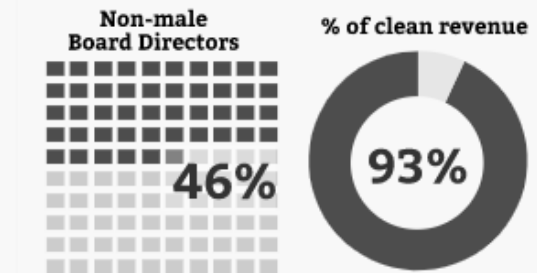
05 **Stantec Inc.**
 • Edmonton, AB
\$3.7 BILLION*
 +52 from 2020 **21,852 employees**



10 **Canadian National Railway Co**
 • Montreal, QC
\$14.9 BILLION*
 +44 from 2020 **25,975 employees**



17 **Cascades Inc**
 • Kingsey Falls, QC
\$4.9 BILLION*
 +32 from 2020 **12,347 employees**



Source: The Global 100 – World's Most Sustainable Companies

Where they stand

Awareness

Advocacy




EDGEPOINT

 CI Investments


MACKENZIE
Investments

 **Fidelity**
INVESTMENTS

Sun Life  GLOBAL
Investments

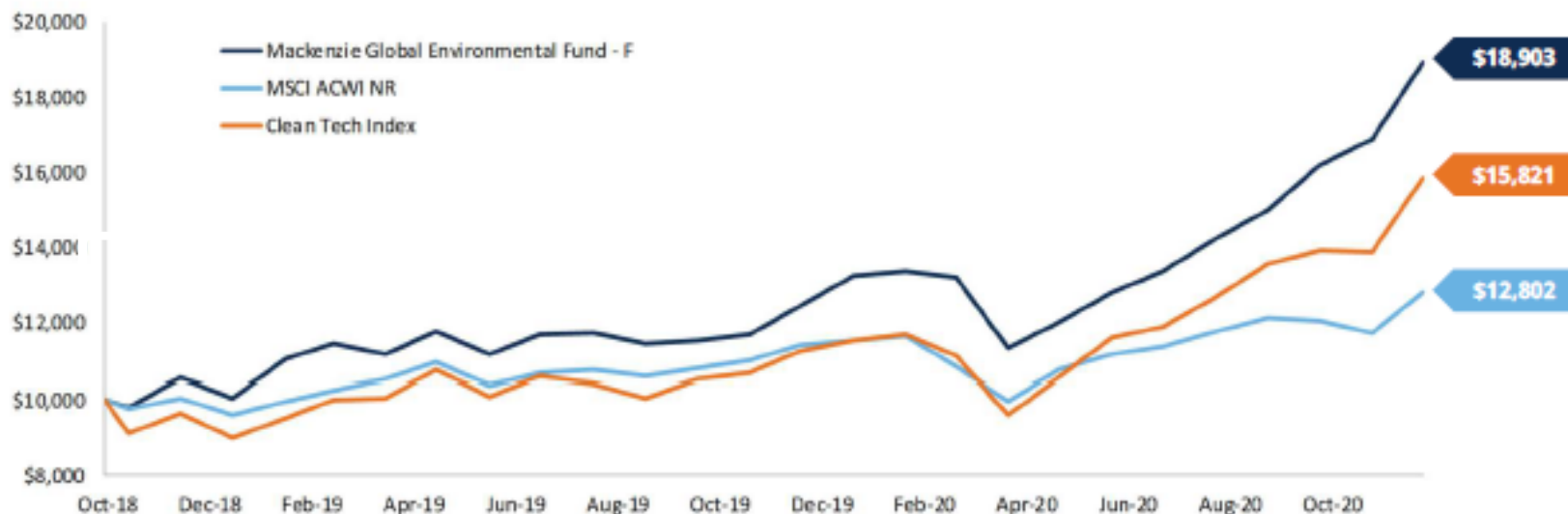
 iA  Clarington
Investments

 RBC


COUTTS
FINANCIAL

Mackenzie Environmental Equity Fund

Growth of \$10,000



	3mo	YTD	1 Yr.	Since Inception
Mackenzie Global Environmental Fund - F	26.1%	42.5%	51.9%	35.0%
MSCI ACWI NR	5.5	11.0	12.2	12.3
Cleantech Index (CTIUS)	16.6	37.5	40.5	24.1
Percentage of Peers Beaten	99	99	99	99



Some final thoughts

- Take time to re-assess what's most important to you
- Consider how your investments impact your priorities
- Think about how you'll spend (and pay for) extra time
- Create and follow a financial plan



Mark Coutts MBA CFP CLU CHS RPA CFDS FCSI

Benchmark Benefit Solutions Inc.

mark@benchmarkbenefits.ca