Sustainable Financing and Investing Survey 2019
Markets alert to the environment and society
Canada Focus
Canada Report
Issuers ahead of the game, investors behind

Disconnect on impact

Canada’s issuers are among the most aware in the world of environmental and social issues — as befits a country whose economy is heavily exposed to fossil fuel production and use, but where the environment figures large in public consciousness.

British Columbia became in 2008 the first territory in north America to introduce a carbon tax. Even neighbouring Alberta, famous for its oil sands, followed suit in 2017, though it repealed the tax in 2019.

It is small wonder Canada has the highest proportion, among the markets studied in this survey, of issuers that say E&S issues are ‘very important’ to them — 84%. As in other markets, the organisation’s own values are a strong driver of this, at 60% of issuers, but in Canada, even more markedly than in the UK, customers’ wishes ranks even more strongly than values, at 66%. Issuers in Canada also have the highest proportion of published environmental impact strategies: 76% versus a global average of 55%. A further 18% of Canadian issuers also have private ESG strategies. Surprisingly, however, this awareness is not matched among Canadian investors, which score below global averages on many indicators. Only 56% have a firm-wide responsible investing policy, well below US and UK rates.

Similarly, Canada has the lowest proportion of investors (24% versus 35% globally) that always factor ESG considerations into investment decisions. Ten percent rarely or never do so, compared to the 8% global average.

The country has the lowest proportion (14%) among the five featured markets that use impact goals or metrics as part of their investment decision-making. Moreover, Canada has the lowest proportion globally (54%, equal with Hong Kong) of investors for whom ESG issues are very important — though perhaps some modesty is at work, since Canada also has the highest proportion globally of those for whom ESG is somewhat important (46%).

Key Findings

- Environmental and social issues are factored into financing approaches in Canada rather less than in other national markets
- Mixed performance on impact — Canada has the lowest proportion (14%) among the five highlighted markets of investors using impact goals or metrics, but the highest proportion of issuers publishing environmental impact strategies
- There is a split on disclosure too — investors are below average on disclosing environmental, social and governance (ESG) characteristics of their portfolios, but only 4% of issuers make no disclosures, compared with a 16% global average
- Canada has the highest perception of obstacles to pursuing ESG investing more fully and broadly: 90% versus 61% globally; but also the highest proportion of investors who intend developing a responsible investing or ESG policy
- There is a significant take-off in investor appetite for green, social and sustainable bonds

Canada

<table>
<thead>
<tr>
<th>Environmental and social issues are:</th>
<th>Investors</th>
<th>Issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>54%</td>
<td>84%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>46%</td>
<td>14%</td>
</tr>
<tr>
<td>Important</td>
<td>100%</td>
<td>98%</td>
</tr>
<tr>
<td>Global tally</td>
<td>94%</td>
<td>93%</td>
</tr>
</tbody>
</table>
Canadian investors feel inhibited
Is anything holding you back from pursuing ESG investing more fully and broadly?

- 100%
- 90%
- 80%
- 70%
- 60%
- 50%
- 40%
- 30%
- 20%
- 10%
- 0%

Canada
Global

- Yes, there are certain things holding us back...
- No, there is nothing holding us back
Investment practices
Significant obstacles, but growing engagement

Canada reports the highest perception of obstacles to pursuing ESG investing more fully and broadly: 90% versus 61% globally.

Investors’ largest obstacles are:

- Lack of attractive investment opportunities (50% compared to 26% globally)
- Poor quality or availability of ESG data (42% compared to 22%)

Despite these obstacles, Canada displays a clear commitment to growing ESG focus. The 44% of investors who intend developing a responsible investing or ESG policy is the highest proportion globally.

In addition, Canada has the highest proportion of investors engaging with issuers over executive compensation (38% versus 29% globally). They are also above average in engaging with issuers for more ESG disclosure and for ESG improvements, as well as in backing shareholder motions for ESG improvements and divesting from poor ESG performers.

Moreover, Canada has the highest proportion of investors that buy or construct specific ESG products (38% versus 29% globally).

Green debt
Investors warm

Almost half of Canadian investors (42%) say they will start buying green, social or sustainable bonds seriously for the first time in the next two years, while a further 15% will increase their purchases.

Fifteen percent do not buy them and do not intend to start, while 8% intend to cut back.
Canadian investors see barriers aplenty
Is anything holding you back from pursuing ESG investing more fully and broadly?

- Poor quality or availability of ESG data
- Lack of comparability of ESG data across issuers
- Lack of attractive investment opportunities
- Lack of disclosure by issuers
- Inconsistency of ESG definitions
- Relatively poor financial returns
- Lack of demand from clients
- Regulatory or legal constraints
- Shortage of expertise or qualified staff
- Our firm does not want to go further in this direction

Canada’s investment policies have gaps
Our organisation has a firm-wide policy on responsible investing or environmental, social and governance issues and it includes the following...

- Stewardship principles – endorsed at board level
- Approach for identifying material ESG issues for investments
- Disclosure on the ESG characteristics of selected portfolios
- Disclosure on the ESG characteristics of our whole portfolio
- Disclosure on the environmental and social impacts of some portfolios
- Alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) or other reporting frameworks
- Impact goals or metrics used as part of investment decision-making
Methodology

*GlobalCapital*, the capital markets newspaper, and Euromoney Data conducted a global survey of investors and capital markets issuers in June and July 2019. The survey is unusual in questioning issuers and investors at the same time.

The questionnaires for issuers and investors were different, but in many cases the questions were complementary, to give insight into the perceptions each group have of the other.

The study was designed to cover a wide diversity of organisations, by size, geography and type of activity.

Investors and issuers were invited to participate in online surveys, comprising multiple choice questions. The surveys were offered in Chinese, English, French, German, Portuguese and Spanish. Over 1,300 completed responses were received from issuers and investors. To participate, they had to enter their contact details, the name, nature and size of their organisation, and where they were based. Responses are treated anonymously.

From these, a structured sample was extracted for use in the survey. This comprised 500 issuers and 500 investors, distributed across 15 target markets in four regions.

Where there were too many responses from a particular country, those from larger organisations were used.

The sample analysed is as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Issuers</th>
<th>Investors</th>
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<tbody>
<tr>
<td>Americas</td>
<td>135</td>
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<tr>
<td>US</td>
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</tr>
<tr>
<td>Canada</td>
<td>50</td>
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</tr>
<tr>
<td>Brazil and Mexico</td>
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<tr>
<td>Asia</td>
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<td>175</td>
</tr>
<tr>
<td>Mainland China</td>
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</tr>
<tr>
<td>Hong Kong SAR</td>
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<td>50</td>
</tr>
<tr>
<td>Singapore</td>
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</tr>
<tr>
<td>Indonesia, Malaysia and Thailand</td>
<td>40</td>
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<table>
<thead>
<tr>
<th>Europe</th>
<th>Issuers</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>France</td>
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<tr>
<td>Germany</td>
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<table>
<thead>
<tr>
<th>Middle East</th>
<th>Issuers</th>
<th>Investors</th>
</tr>
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<tbody>
<tr>
<td>Saudi Arabia</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>UAE</td>
<td>35</td>
<td>35</td>
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</table>

| TOTAL                       | 500     | 500       |