Responsible Investment Association

2021 RIA INVESTOR OPINION SURVEY

CANADIAN INVESTOR PERSPECTIVES ON THE ENERGY TRANSITION

Lead Partner

AGF™

Partner

Desjardins

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Foreword from AGF

By Judy G. Goldring LL.B, LL.D, ICD.D, President and Head of Global Distribution, AGF Management Limited

As a leader in the development of sustainable investing, at AGF we know the obligation to build a more sustainable economy has never been greater—especially as the pandemic has shone a spotlight on the magnitude and urgency of our environmental and social ills.

Interest in responsible or sustainable investing continues to grow as evidence shows that sustainability is a path to creating long-term value, while also contributing to a better environment, healthier communities and good corporate practices.

While the findings of the 2021 RIA Investor Opinion Survey continue to focus on investor knowledge in responsible investments it also shows that Canadian investors are aware of and supportive of the energy transition—which began as part of the Paris Climate Accord of 2015 with governments from around the world vowing to transform global energy sectors from fossil-based to zero-carbon by the second half of this century.

A strong majority (85%) of respondents strongly or somewhat agreed that Canadian corporations should set goals for their businesses to achieve net-zero emissions by 2050 and a vast majority (86%) of respondents think it's very important or somewhat important for Canadian companies 'in transition' to net-zero to avoid negative outcomes for their workers and the communities in which they operate.

At the same time, a large majority (80%) of respondents strongly or somewhat agreed that they would like their fund manager to encourage Canadian corporations to reduce their carbon emissions.

At AGF, we are committed to doing our part. Our investment management team engages in dialogue with companies and policy makers to influence and promote ESG value-adding practices, better understand the quality of the businesses that we invest in and how they are positioned for future challenges. This includes working collaboratively with companies to encourage advancing practices related to climate change risks and opportunities. We also participate in broader discussions about standards and best practices in responsible investing.

We are encouraged by the respondents' level of awareness around the energy transition. These findings indicate that Canadian investors are ready to transition to a more sustainable economy and are looking for asset managers like AGF to not only support but also to provide solutions that align with this transition.

Message from Desjardins

By Éric Landry, Vice-President Investments, Desjardins

It is heartening to learn that according to the 2021 RIA Survey, 73% of investors express interest in responsible investment (RI) once it's explained to them. More sobering is the finding that 69% say they know little or nothing about RI. It's for this reason—and for these people—that Desjardins has made a commitment to actively increase its educational effort to empower investors and allow them to make informed choices.

Being a Canadian RI leader means providing simple and credible information on RI strategies and on the impact of choosing this approach to investing. For 30 years, Desjardins has been committed to offering efficient and impactful RI solutions and making both advisors and investors more aware of evolving RI strategies and the extra-financial return of RI. The goal is to help investors better understand how RI allows them to have a positive impact on issues such as climate change and diversity.

We are proud to co-sponsor this insightful survey and trust you'll see it as we do—as a roadmap to evolving our RI solutions to meet the needs of all investors.

Methodology

This report is based on findings from an Ipsos poll conducted for the Responsible Investment Association from September 13th to 16th, 2021. For the survey, a sample of 1,000 Canadian investors was interviewed online. For the purposes of this research, investors are defined as individuals who currently own investments such as mutual funds, exchange-traded funds, stocks, bonds, or other securities.

Ipsos measures the precision of online polls using a Bayesian credibility interval. In this case, the poll has a credibility interval of plus or minus 3.5 percentage points. This is comparable to a "classical" margin of error of plus or minus 3.0 percentage points. For more information about credibility intervals, please read this statement from Ipsos. The data were weighted to the Canadian population data by region, gender, age, and education. Due to the effects of rounding, figures may not total to 100 and sums of individual items may not equal totals.

Note that for the purpose of this survey, the classification of gender was limited to male/female to correspond to data available through the 2016 Census of Canada. Once the 2021 Census data is made available for use (in 2022), our data provider will adjust question wording on gender to be more inclusive, in accordance with the Census categories.

Related Research and Publications

2020 RIA Investor Opinion Survey

2019 RIA Investor Opinion Survey

2018 RIA Investor Opinion Survey

2020 Canadian Responsible Investment Trends Report

Canadian Investor Statement on Climate Change

Acknowledgements

Lead Partner

Special thanks to AGF for financial support which made this research possible.

Partner

Special thanks to Desjardins for financial support which made this research possible.

Project Director

This research project was led by Mary Robinson, the RIA's Director of Research & Membership.

Contributors

Thanks also to (Stella) Pei-Hsuan Tsai for undertaking the data analysis for this report, to Leah Golob for contributing her research and writing expertise to drafting this report, and to Aladdin Diakun for reviewing and commenting on a draft of the report.

Translation

Thanks to Vanessa Brunette for the French language translation of this report.

About the RIA

The RIA Investor Opinion Survey is released annually by the Responsible Investment Association (RIA), Canada's industry association for responsible investment (RI). The RIA aims to drive the growth and development of RI in Canada, with a vision to align capital with sustainable and inclusive development as codified in the Paris Agreement and the UN Sustainable Development Goals. The RIA's membership includes asset managers, asset owners, advisors, and service providers. Learn more at www.riacanada.ca.

Background

The 2021 RIA Investor Opinion Survey examines Canadian investors' attitudes toward responsible investing (RI) — an investment approach that incorporates environmental, social, and governance (ESG) considerations into the selection and management of investments. This is the RIA's sixth annual survey of individual investors and is based on data from 1,000 individual investors across Canada.

The first section of the report explores investors' interest, knowledge, and ownership of RI, and compares these results over time. The second section reveals investors' perspectives on climate change, net-zero commitments, and creating Indigenous partnerships when transitioning to net-zero.

Total RI assets under management in Canada now exceed $3.2 trillion. That figure represents 61.8% of assets invested in Canada, up from 50.6% just a few years ago.[1] It is clear that RI's growing influence can no longer be ignored. This survey provides important insights for financial advisors and financial institutions about investors' rising interest in RI generally. It also shines a spotlight on investors' evolving attitudes toward climate change and how it is addressed in their portfolios.

[1]Responsible Investment Association (2020). 2020 Canadian Responsible Investment Trends Report.

Executive Summary

The 2021 RIA Investor Opinion Survey examines Canadian individual investors' perspectives on responsible investing (RI), which incorporates environmental, social, and governance (ESG) factors into investment decisions.

Our survey data, collected from 1,000 individual investors by Ipsos, indicates that while overall RI knowledge levels have increased since 2020, overall RI interest levels and ownership rates have remained steady. Like last year, there continues to be a service gap – most investors expressed a desire for their advisors to inform them about RI funds that align with their values, yet little more than a quarter said their advisors have approached the topic.

COP26, the United Nations Climate Change Conference, concluded in November 2021 with a global agreement to accelerate action on climate this decade. As countries, cities, corporations, asset owners, and asset managers make and strengthen commitments to achieve net-zero emissions by 2050, we chose to focus part of this survey on individual investors' attitudes toward climate change and net-zero goals. We learned that the majority of investors expect corporations and fund managers to play a role in achieving net-zero emissions and a just transition, which avoids negative outcomes for workers and communities and ensures Indigenous Peoples are included in decisions related to the transition.

The findings in this report show that investors remain eager to learn more about RI and want to create positive environmental change with their investments. Financial professionals can add value to their client relationships by introducing them to RI funds and topics, and by showing them how they can use their investments to address climate change.

Key Findings

Investors are keen to learn more about RI.

- 69% of respondents said they know little to nothing about RI, including 20% who have never heard of RI. This is an improvement from last year when 75% said they knew little to nothing about RI, including 29% who had never heard of RI.
- 73% of respondents expressed interest in RI, which is comparable to survey results in 2020 and 2019. Older investors showed a large jump in interest from last year.
- While 77% of respondents said they want their financial services provider to inform them about responsible investments that are aligned with their values, only 27% said they had ever been asked if they were interested. About one-third of respondents said they currently own responsible investments, similar to last year.
- In past studies, women have notably held greater interest in RI and were more likely to want their financial advisor or financial institution to inform them about responsible investments that are aligned with their values. This year, there was less of a divide between women and men in these areas.

Most respondents believe corporations and investment managers need to take action against climate change.

- An overwhelming number of respondents (86%) expressed concern about climate change and the environment.
- Younger respondents (aged 18-35) reported more knowledge and interest in RI than their older counterparts. However, older respondents (aged 55+) were more likely to say they're very concerned about climate change (47%) compared to their younger counterparts (36% of those aged 18-34).
- 85% of respondents agreed that Canadian corporations should set goals for their businesses to achieve net-zero emissions by 2050.
- 78% of respondents said they would like a portion of their investment portfolio to be invested in companies that are providing solutions to reduce carbon emissions.
- The vast majority (86%) of survey respondents agreed that it's important for Canadian companies "in transition" to avoid negative outcomes for workers and communities.
- 70% of respondents reported that they want Canadian companies in their portfolio to partner with Indigenous Peoples on decisions around the coming energy transition.

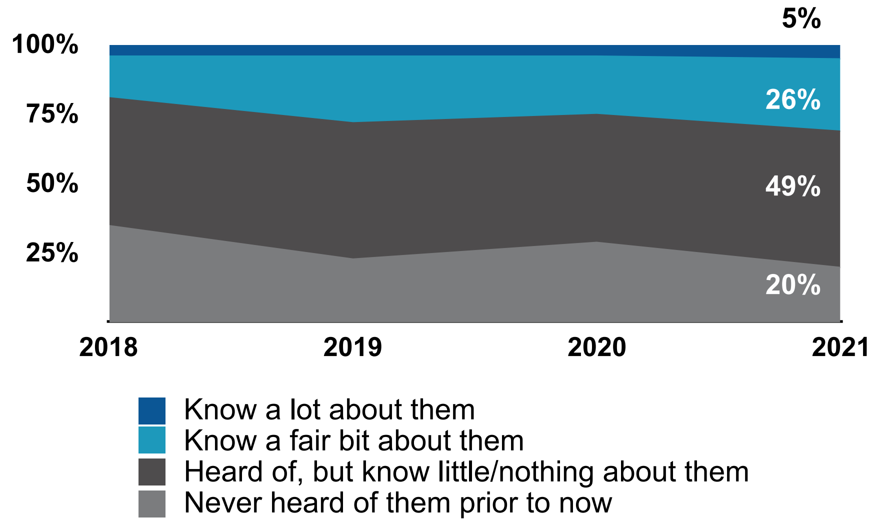
Investors Becoming More Knowledgeable About RI

The survey results indicate that the majority of investors still lack knowledge about RI, but that number has been slowly dwindling over the years.

This year, a combined 69% of respondents said they know little or nothing about RI, down from 75% in 2020 and 81% in 2018.

That 69% includes the 20% of respondents who said they have never heard of RI at all. That's also an improvement from last year, when 29% of respondents said they had never heard of RI.

To what extent are you knowledgeable about responsible investments that incorporate environmental, social and governance issues?

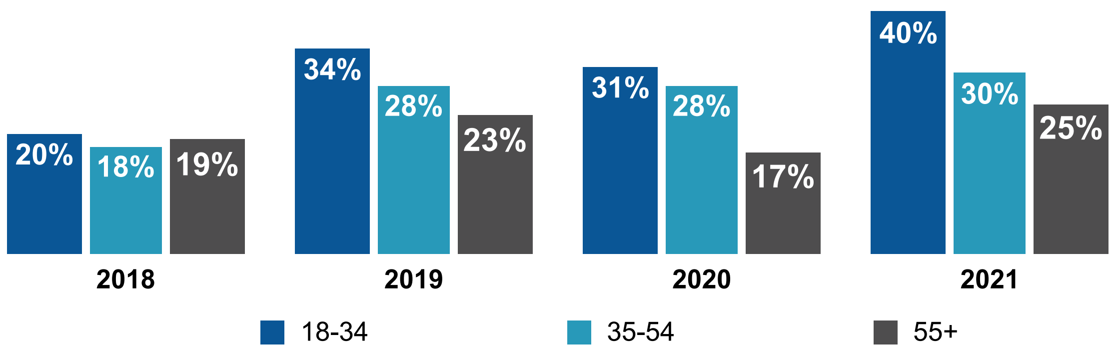


There is a notable gender difference in reported RI knowledge levels, with women more likely to report lower familiarity. Seventy-five percent of women responding to the survey reported they “never heard of” or “know little/nothing” about RI, compared to 62% of men.

The differentiation in reported RI knowledge by age group is also significant. As shown in the chart below, reported RI knowledge levels have increased among all age groups, but young adults (aged 18-34) continue to report higher knowledge levels of RI than older generations.

Among respondents in the 18-34 age group, 40% claimed a “fair bit” or “a lot” of knowledge about RI, up from 31% in 2020. Among those age 35-54, reported knowledge levels remained fairly steady (28% in 2020 compared to 30% this year). Among adults aged 55+, 25% reported having a “fair bit” or “a lot” of knowledge about RI, up from 17% last year.

Respondents Who Know “A Fair Bit” or “A Lot” About RI, by Age



According to the Canadian Securities Administrators’ 2020 CSA Investor Index survey of 5,000 Canadians, 48% of respondents had “low knowledge” of investing, and only 20% demonstrated “high knowledge,” meaning they could understand basic concepts such as diversification and compound interest.[2] Given that Canadians’ general investment knowledge is low, it is perhaps unsurprising that investors’ knowledge of responsible investment is even lower.

Interest and Ownership in RI Remains Steady

Matching last year’s results, 73% of respondents showed interest in RI by saying they were “very” or “somewhat” interested in this type of investing. That’s a jump from 2018, when 60% of respondents expressed interest.

Similar to previous years, more respondents aged 18-34 showed interest in RI (80%) than adults aged 55+ (67%) although interest among the older respondents increased meaningfully from 59% in 2020.

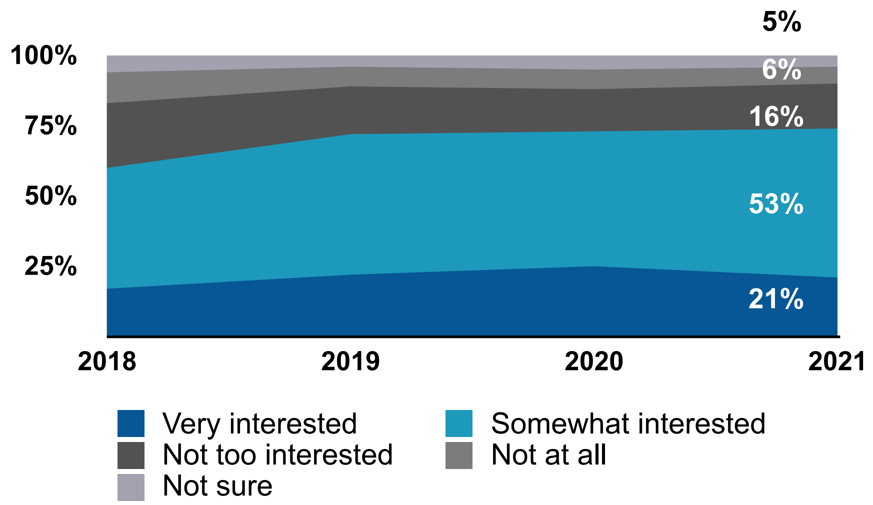
In the past, women have reported greater interest in RI, but this gender divide appears to have narrowed substantially. For the first time, men and women reported a similar interest in RI (73% and

[2]Canadian Securities Administrators (2020). 2020 CSA Investor Index.

74%, respectively). In 2018, by comparison, 64% of women expressed interest compared to 57% of men.

Respondents with kids are still more likely to be interested in RI than respondents without kids (79% vs 71% this year), however this gap has narrowed as well (83% vs 69% in 2020).

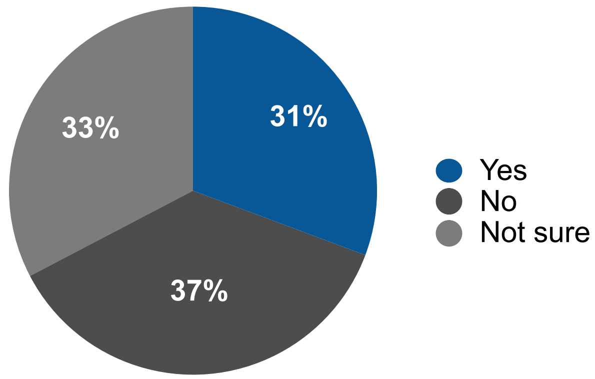
To what extent are you interested in responsible investments that incorporate ESG factors?



Reported RI ownership has also remained relatively unchanged. As shown in the chart below, roughly one-third (31%) of investors this year said they own responsible investments that incorporate ESG factors, compared to 33% in 2020 and 26% in 2019.

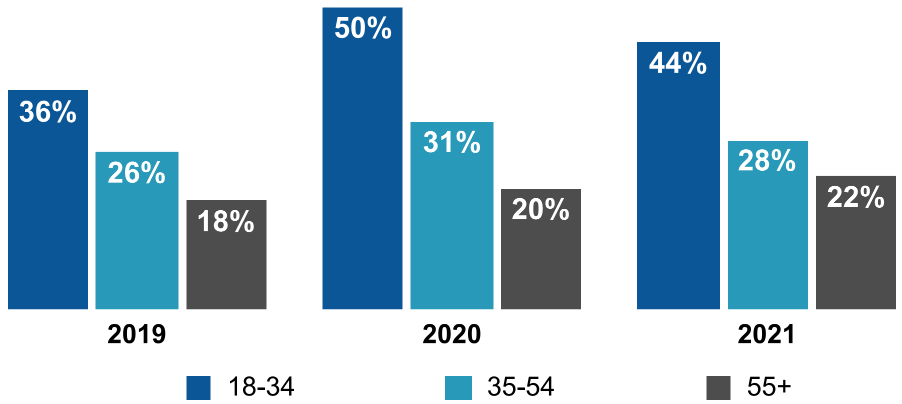
However, uncertainty about ownership has also remained fairly stable, with 33% of investors "not sure" if they own such investments (compared to 31% in 2020). This finding is consistent with respondents' overall reported lack of RI knowledge, as well as their strong interest and desire for more information from advisors.

Do you currently own responsible investments that incorporate ESG issues?



Considering respondents aged 18-34 have a higher interest in RI, it may come as no surprise that 44% said they own responsible investments that incorporate ESG issues compared to 22% of those aged 55+. RI ownership among that older demographic is climbing, albeit slowly, up from 18% in 2019, while ownership in the 35-54 age group is holding steady.

Percentage of respondents who currently own responsible investments that incorporate ESG issues, by age group:



According to the RIA's most recent assessment of the size of the RI market in Canada, total RI assets surged to $3.2 trillion by the end of 2019, reflecting 48.5% in growth over a two-year period. Of this total, just over one-quarter ($882.0 billion) represented assets under management for individual investors. However, retail RI mutual fund assets stood at $15.1 billion while RI ETF assets reached $654.9 million, representing a small fraction of the total RI market.[3]

Since that data became available, a growing number of retail responsible investment products (including mutual funds and ETFs) have hit the market. During the full year 2020, according to data from Morningstar, a record 44 RI funds were launched in Canada. In just the first nine months of 2021, 63 new RI funds were introduced in Canada, bringing the total number of RI funds to 208.[4]

While these RI products still represent a small proportion of the overall retail fund universe, given low investor knowledge, strong investor interest, and strong investor demand for RI information, there is ample opportunity for financial advisors to introduce their clients to RI opportunities.

The RI Service Gap Continues

Investors are enthusiastic to know more about RI, yet advisors aren't often asking their clients if they're interested in adding responsible investments to their portfolio. In fact, only 27% of respondents stated that they had ever been asked if they are interested in responsible investments that are aligned with their values. That's consistent with 2020 survey results, where 28% of investors said their advisors gauged their interest.

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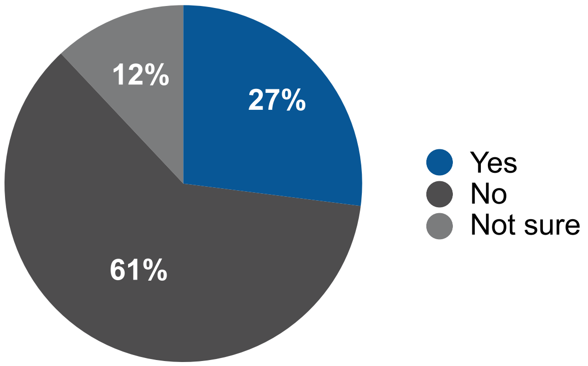
[3] Responsible Investment Association (2020). 2020 Canadian Responsible Investment Trends Report.
[4] Morningstar, Inc. (2021). Sustainable Investing Landscape for Canadian Fund Investors.

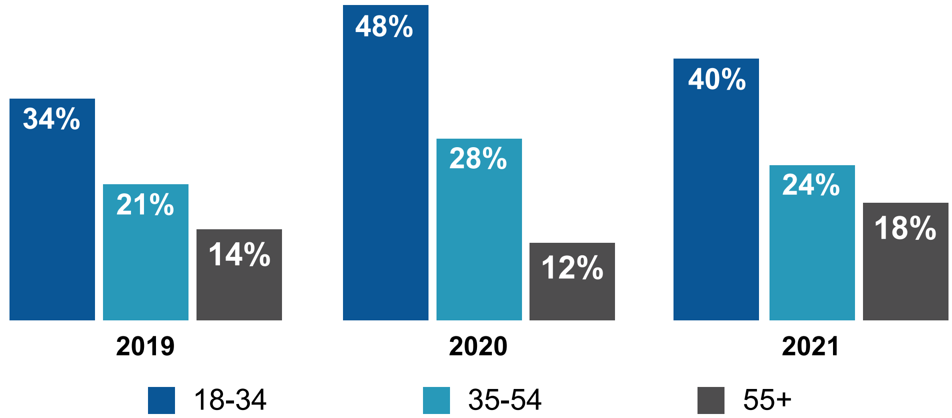
Has your financial advisor or financial institution* ever asked if you are interested in responsible investments that are aligned with your values?



*(*Financial institutions include banks, credit unions, brokerages, self-directed trading platforms, and other investment services.)*

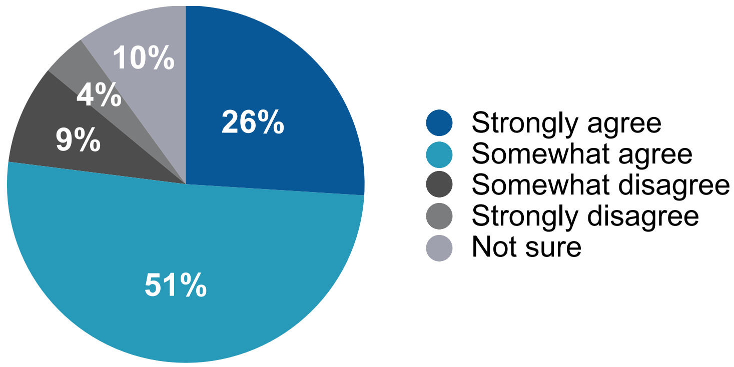
It appears that many advisors are reserving this type of question for their younger clients. As shown in the chart below, in this year's survey 40% of respondents aged 18-34 said they've been asked this question compared to only 18% of respondents aged 55+. Relatedly, 38% of respondents with kids have been asked this question compared to only 22% of respondents with no children.

Percentage of respondents who have been asked if they are interested in responsible investments that are aligned with their values, by age group



Corresponding to respondents' high levels of reported interest in RI, approximately three-quarters of respondents (77%) somewhat or strongly agreed that they would like their advisor or financial institution to inform them about responsible investments that are aligned with their values, as shown in the chart on the next page. This is similar to last year's result, when 75% of respondents responded in this way.

Do you agree or disagree with this statement? – *"I would like my financial advisor or financial institution to inform me about responsible investments that are aligned with my values."*



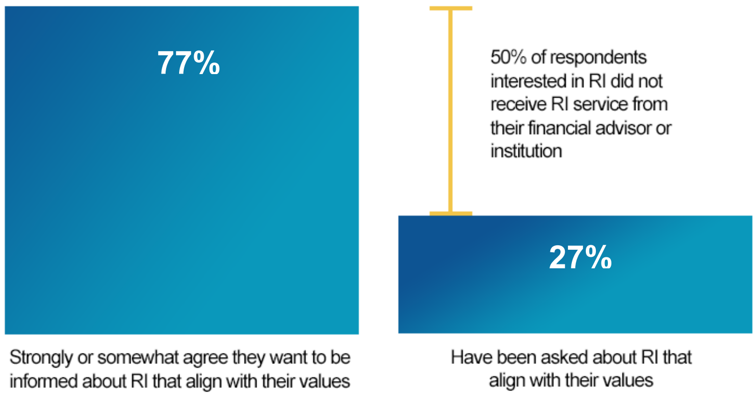
Female and male respondents expressed similar levels of desire to be informed about RI opportunities by their financial advisor or institution (79% and 76%, respectively, strongly or somewhat agreed with the statement).

By age group, the desire to be informed about RI was highest among younger respondents: 81% of respondents aged 35-54 strongly or somewhat agreed they would like to be informed, as did 80% of those aged 18-34. Meanwhile 71% of respondents aged 55+ strongly or somewhat agreed that they would like to be informed about RI options by their financial services provider.

Overall, 77% of respondents expressed a desire to be informed about RI, but only 27% said that their advisor has gauged their interest. This means the industry has missed out on opportunities to discuss responsible investing with close to 50% of investors, including 40% of investors aged 18-34, 57% of investors aged 35-54, and 53% of investors aged 55+.

We call this difference the "RI Service Gap."

The RI Service Gap



Advisors who understand their clients' ESG preferences are better positioned to make investment recommendations that align with their clients' risk appetite, values, and goals. To narrow the RI Service Gap and seize the opportunity it represents, advisors would benefit from learning more about RI and proactively raising ESG-related risks and opportunities in their client conversations.

Many advisors already routinely do this, but the RI Service Gap shows that investors want more. The Responsible Investment Association (RIA) has advocated for many years[5] for discussions about ESG and RI to be more commonplace, and in particular for RI considerations to be integrated into advisors' know-your-client (KYC) processes. In 2021, the RIA submitted comment letters to the Mutual Fund Dealers Association of Canada (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC), arguing that proposed client-focused reforms should include obligations for registrants to do just that.

More and more Canadians among all age groups and household types are increasing their RI knowledge and want to be informed about responsible investments that align with their values. With 50% of the market being underserved, advisors have an opportunity to distinguish their practice and add value for clients by broadening their conversations to include ESG and RI.

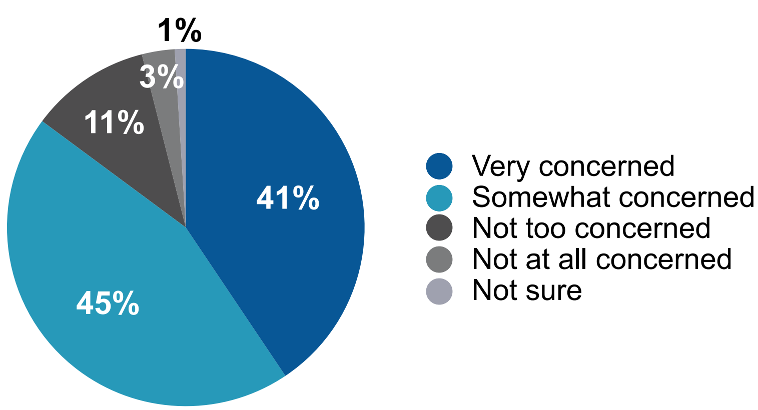
In Focus: Climate Change and the Energy Transition

Wildfires, floods, droughts, hurricanes, and other extreme weather events have been increasing in frequency, severity, and intensity around the world, including in Canada. These events are disrupting supply chains, destroying community infrastructure, and taking a growing number of lives. For many Canadians, these impacts are making the climate crisis more personal than ever before. In fact, in the 44th Federal Election, climate change was one of the top five issues for Canadians.[6]

Climate Change a Pressing Concern for Investors

In this year's survey, the vast majority of respondents (85%) indicated that they are "very concerned" or "somewhat concerned" about climate change and the environment. While a roughly equal proportion of men and women reported being "somewhat concerned" about climate change (44% vs 45%), a higher number of women said they were "very concerned" (44%) compared to men (36%).

To what extent are you concerned about climate change and the environment?

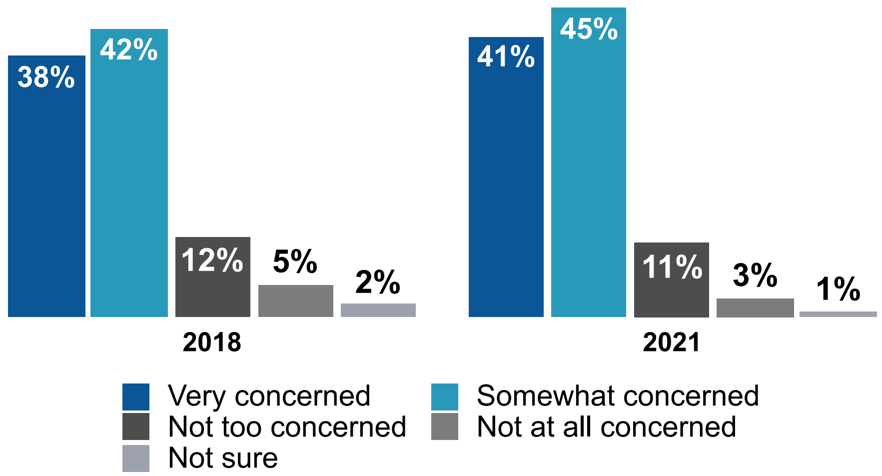


[5] See for example, RIA Submission on Modernizing Ontario's Capital Markets; RIA Submission on Reforms to Enhance the Client-Registrant Relationship; RIA Submission on Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives toward their Clients.

[6] Ipsos (2021). Strong Majority of Canadians Support Vaccine Mandates; Open to Measures Including Vaccine Passports.

Age demographics had a significant impact on these results. Among investors in the 55+ age group, almost half (47%) were “very concerned” about climate change, compared to 39% in the 35-54 age group, and 36% of respondents aged 18-34.

We also asked this question in our 2018 Investor Opinion survey. Over the years, concerns about climate change have increased among all age groups, as shown in the chart below.



Investors Are Concerned About Greenwashing

Investors’ concerns about climate change and the environment are accompanied by concerns about greenwashing. As a growing number of companies and governments respond to ESG-related risks and opportunities, so too are stakeholders increasing their scrutiny of “green” and related claims.

The investment industry saw such scrutiny increase in 2021, with accusations that investment managers were making false claims about their products’ sustainability.[7] As reported in the 2020 Canadian RI Trends Report, “mistrust/concerns about greenwashing” ranked as the second-most perceived deterrent to the growth of RI (with “lack of reliable data” first, and “lack of legislative/ regulatory requirements” third).[8]

For the purpose of this survey, we provided respondents with this definition of greenwashing: “false information that is distributed by an organization to make it look more environmentally responsible than it actually is.”

When asked, “How concerned are you about greenwashing in the investment industry?” 78% of respondents said they are “very concerned” (33%) or “somewhat concerned” (45%), as shown in the chart on the next page. Men (76%) and women (80%) shared these concerns in roughly equal proportion.

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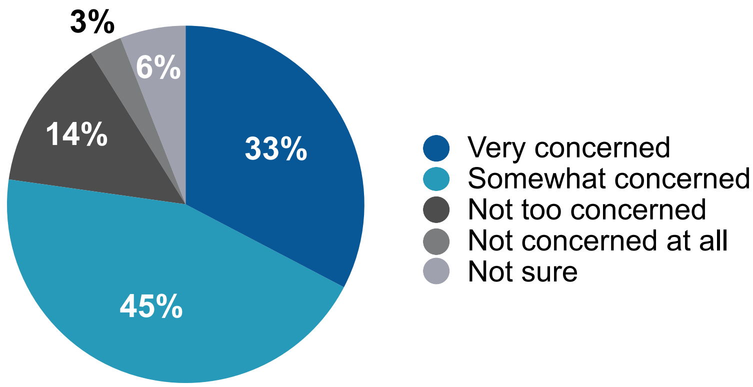
[7] Fancy, T., USA Today (March 16, 2021). Financial world greenwashing the public with deadly distraction in sustainable investing practices.
[8] Responsible Investment Association (2020). 2020 Canadian Responsible Investment Trends Report.

How concerned are you about greenwashing in the investment industry?



Investors' level of education plays a strong role in these results. University graduates expressed the most concern about greenwashing (83%), whereas those who have only graduated high school were the least concerned (71%).

Concerns about greenwashing are understandable. Investors directing their money into low-carbon portfolios or other climate risk solutions are right to scrutinize (or expect their advisors to scrutinize) their investments carefully, just as they do with traditional disclosures and performance indicators. However, considering that only 5% of respondents reported knowing "a lot" about RI, investors' greenwashing concerns may be partly due to their general lack of RI knowledge. As advisors seek to fill knowledge and service gaps, it is important to speak openly with clients about greenwashing risks, especially since a standardized disclosure framework for RI has yet to be mandated in Canada.[9]

Investors Want Greater Commitments to Net-Zero

In August 2021, the Intergovernmental Panel on Climate Change (IPCC) published a report called Climate Change 2021: The Physical Science Basis, which U.N. Secretary-General António Guterres called a "code red for humanity."[10] The report draws on multiple lines of evidence, demonstrating that without deep, large-scale, and immediate reductions to greenhouse gas emissions, the average global temperature increase is expected to reach or exceed 1.5 degrees Celsius during the next 20 years, relative to pre-industrial levels.[11]

Net-zero emissions are required to stabilize global temperatures at any level. The IPCC report reiterates the long-held scientific understanding that strong and sustained emissions reductions will limit the impacts of climate change. However, it could take 20-30 years after atmospheric GHG concentrations are stabilized for global temperatures to follow, and some impacts, such as glacier melt, are expected to continue for decades or even centuries beyond. On a more positive note, air quality is expected to improve rapidly as emissions fall.[12]

[9] Lanz, D., Investment Executive (2021). An advisor's short guide to greenwashing.
[10] Chestney, N. & Januta, A., Reuters (Aug. 9, 2021). U.N. climate change report sounds 'code red for humanity'.
[11] IPCC (2021). Climate Change 2021: The Physical Science Basis. Summary for Policymakers.
[12] IPCC. (2021). Climate change widespread, rapid, and intensifying.

Currently, more than 130 countries have either set a target or are considering setting a target to reduce emissions to net-zero by 2050.[13] While many well-known businesses have also made commitments, only about 8% of the world's largest companies (ranked among the Global Fortune 500) have pledged to get to net-zero.[14]

As for the financial sector, momentum continues to build. Under the Glasgow Financial Alliance for Net Zero (GFANZ), more than 450 financial sector organizations (including asset owners, asset managers, banks, and insurance companies) from 45 countries and representing US$130 trillion have "committed to high ambition, science-based targets, including achieving net zero emissions by 2050 at the latest, delivering their fair share of 50% emission reductions this decade, and reviewing their targets towards this every five years."[15] Given the increase in net-zero commitments from countries and companies, including the financial sector, we asked investors for their views on net-zero goals for Canadian corporations, and how they want investment managers to address net-zero emissions in their portfolios.

As shown in the chart on the next page, an overwhelming majority of survey respondents (85%) strongly or somewhat agreed that Canadian corporations should set goals for their businesses to achieve net-zero emissions by 2050. That level of agreement was consistent across gender, age, income, and education demographics. As noted earlier, respondents expressed a high level of concern about climate change and the environment, and this concern was accompanied by a strong expectation that Canadian corporations do their part to reduce emissions.

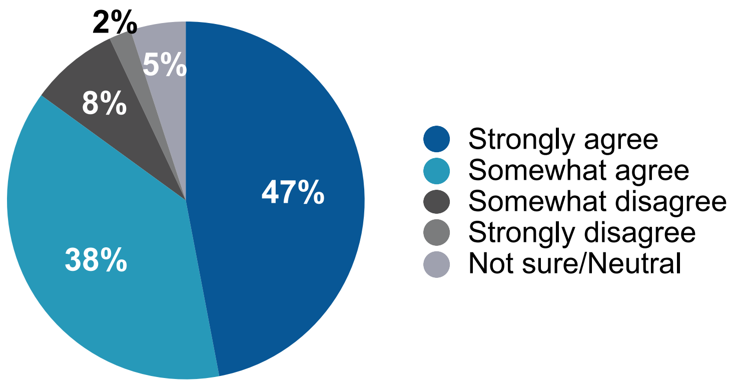
This sentiment that corporations should set net-zero goals by 2050 was the strongest among women (53% strongly agreed), those aged 55+ (56% strongly agreed), and university grads (53% strongly agreed).

The Responsible Investment Association (RIA) developed the Canadian Investor Statement on Climate Change to enable Canadian institutional investors to make a joint statement in solidarity for COP26. This statement is complementary to, rather than replicating or duplicating, global initiatives under GFANZ, such as the Net-Zero Asset Managers Initiative or the Net-Zero Asset Owner Alliance.

The Canadian Investor Statement on Climate Change launched with 36 institutional investors managing $5.5 trillion in assets in total. It calls on companies to act on material climate risks including through their industry association and lobbying activities. The goal of the joint statement is to show the collective will of Canada's investment community, and to send a unified message to issuers, government, and other stakeholders that Canadian institutional investors support the transition to net zero.

[13] Energy & Climate Intelligence Unit (2021). Net Zero Scorecard.
[14] PwC. (2021). How business can bridge the gap and achieve net-zero.
[15] GFANZ (Nov. 3, 2021). Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition.

To what extent do you agree or disagree with this statement - *"Canadian corporations should set goals for their businesses to achieve net-zero emissions by 2050."*

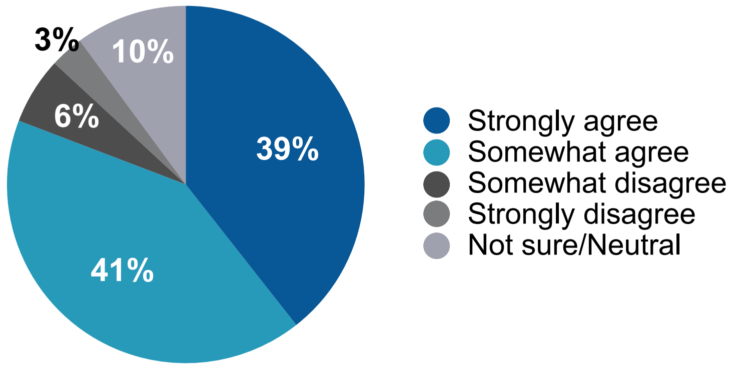


A large majority of survey respondents would also like their fund managers to encourage Canadian corporations to reduce their carbon emissions. We posed the following scenario and question in our survey:

> *Large investment firms such as mutual funds and pension funds often engage with the companies in their portfolios to encourage better sustainability practices. For example, they might ask companies to reduce their carbon emissions.*
>
> *Suppose you have investments in a fund that includes a portfolio of Canadian corporations, to what extent do you agree or disagree with this statement? - "I would like my fund manager to encourage Canadian corporations to reduce their carbon emissions."*

The chart below shows that most respondents (80%) strongly or somewhat agreed that they would like their fund manager to encourage Canadian corporations to reduce their carbon emissions, with slightly more women supporting this statement than men (83% vs. 78%). The gender gap was wider in the "strongly agree" category, where 44% of women strongly agreed with this statement, compared to 34% of men.

"I would like my fund manager to encourage Canadian corporations to reduce their carbon emissions."



Support for such fund manager efforts also increased with respondents' education level: 86% of university graduates strongly or somewhat agreed with the statement vs. 72% of those with only a high school diploma. However, there was less differentiation in the combined "strongly or somewhat agreed" responses by age group or household composition.

Investors Support a Just Transition

Transitioning to a net-zero economy has different implications for different sectors and industries, including for the people who work in them. That's why the 2015 Paris Agreement, the international treaty on climate change signed by 191 countries plus the European Union, takes into account "the imperatives of a just transition of the workforce and the creation of decent work and quality jobs" to ensure that affected workers are considered in transition-related decisions.[16]

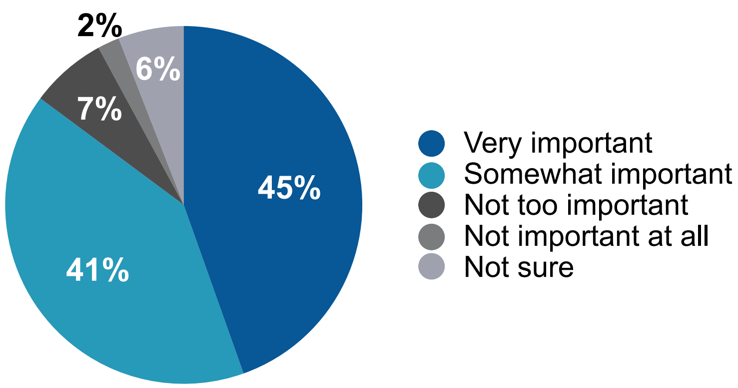
The Government of Canada also recognizes the need for a just transition. In July 2021, the government launched a discussion paper to seek feedback from Canadians on the development of legislation that could include "people-centred just transition principles" and establish a permanent Just Transition Advisory Body to provide independent advice to the government on just transition strategies. A "What we heard" report will follow the consultations.[17]

> The vast majority (86%) of survey respondents agreed that it's "very important" or "somewhat important" for Canadian companies "in transition" to avoid negative outcomes for workers and communities.

Given the growing importance of and attention to a "just transition," we asked investors the following question:

> *The transition to a net-zero economy will require major changes for some industries, such as Canada's energy sector. This transition could lead to negative outcomes, such as job losses, for workers and communities that depend on the energy sector. How important is it for Canadian companies "in transition" to avoid negative outcomes for their workers and the communities in which they operate?*

How important is it for Canadian companies "in transition" to avoid negative outcomes for their workers and the communities in which they operate?



[16] United Nations (2015). Paris Agreement.
[17] Government of Canada (2021). Just Transition.

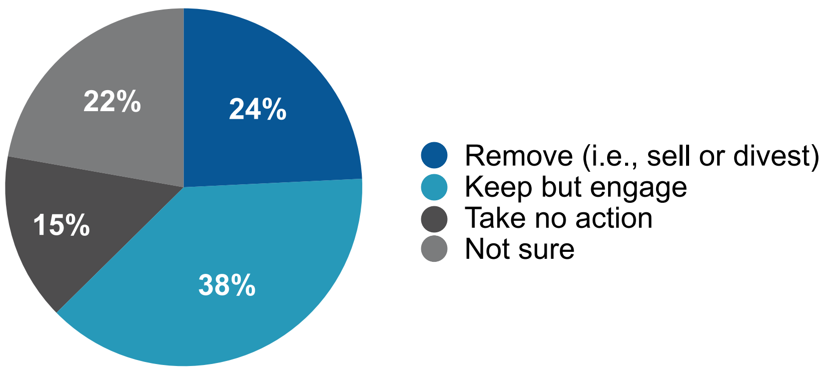
Overall, a majority (86%) of respondents agreed that it's "very important" or "somewhat important" for Canadian companies "in transition" to net-zero to avoid negative outcomes for their workers and the communities in which they operate.

The combined "very important" or "somewhat important" responses differed somewhat by age group, with the most enthusiasm from respondents aged 55+ (90%) compared to those aged 35-54 (86%) and aged 18-34 (81%). Education level was also a factor: 89% of university graduates said it was "very important" or "somewhat important" for companies in transition to avoid negative outcomes for their workers and communities vs. 82% of high school graduates.

Investors Want Their Managers and Portfolios to Drive Net Zero Action

The net-zero transition has often spurred debates about the merits of divestment vs. engagement strategies, so we next asked investors how they would want their investment manager to respond if a portfolio company had no net-zero plans.

Suppose you are invested in a company that has performed well financially in the past, and they have high carbon emissions. If the company has no plans to align their business with net zero emissions, what action would you want your investment manager to take?



Respondents were divided on this question. Thirty-eight percent said they would want their investment manager to keep the company in their portfolio but engage to encourage them to reduce their emissions. Twenty-four percent indicated they would want the manager to remove (sell) the company from their portfolio, otherwise known as divesting.

Together, almost two-thirds of respondents (62%) said they wanted their investment manager to take some action with respect to companies lacking net-zero plans, while another 22% were unsure how their investment manager should respond. Only 15% indicated that their investment manager should take no action with such companies.

Results were fairly similar among men and women. Twenty-six percent of women would want to divest compared to 23% of men. Likewise, 37% of women would prefer engagement in these circumstances, in contrast to 40% of men. Meanwhile, 28% of women and 16% of men were not sure how to answer.

Divestment enjoyed similar support across age groups. Among respondents aged 18-34, 22% would want to divest, compared to 25% of those aged 35-54 and 26% of those aged 55+. Notably, respondents aged 18-34 were slightly less interested in divestment, and slightly more interested in engagement (43%) than those in the 55+ age group (37%). It is also noteworthy that 18% of those aged 18-34 and 25% of those aged 55+ were not sure what to do. As in other areas, it appears that many investors are looking for RI guidance.

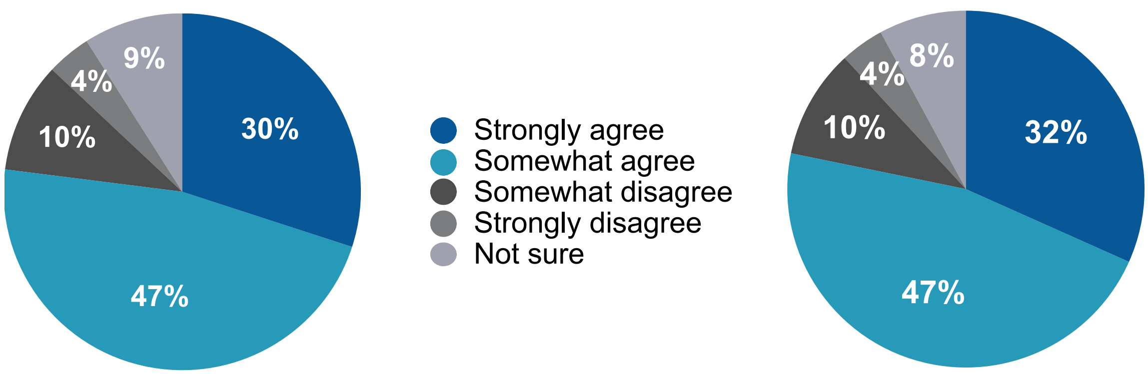
We next asked investors about their portfolio allocation preferences in light of climate change and the net-zero transition.

Addressing climate change and transitioning to a net-zero economy will require companies to adapt their business models for a low carbon future. It will also require new technologies, infrastructure, and innovative solutions to reduce carbon emissions.

To what extent do you agree or disagree with the following statements?

"I would like a portion of my investment portfolio to be invested in companies that plan to achieve net-zero emissions by 2050 or sooner."

"I would like a portion of my investment portfolio to be invested in companies that are providing solutions to reduce carbon emissions."



Overall, 77% of respondents agreed strongly or somewhat that they would like a portion of their investment portfolio to be invested in companies that plan to achieve net-zero emissions by 2050 or sooner. Among female respondents, 80% strongly or somewhat agreed with this statement compared to 74% of male respondents. Respondents across all age groups were on a similar page (78% of those aged 18-34, 75% of those aged 35-54, and 78% of those aged 55+).

Similarly, 78% of respondents agreed "strongly" or "somewhat" that they would like a portion of their investment portfolio to be invested in companies that are providing solutions to reduce carbon emissions. Women (80%) expressed slightly more support for this statement than men (76%). Again, there was little variation among age groups (78% of those aged 18-34 agreed "strongly" or "somewhat," compared to 79% of those aged 35-54 and those aged 55+).

These figures make clear that most investors would like a portion of their portfolio invested in companies with plans to achieve net-zero emission by 2020 and would also like to invest in companies providing carbon reduction solutions.

Investors Want Partnerships With Indigenous Peoples on Energy Transition

Any discussion of energy transitions in Canada necessarily involves Indigenous Peoples. Indigenous Peoples in Canada have long been stewards of the land and keepers of deep climate and environmental knowledge. However, for far too long, Canadian colonial systems have oppressed Indigenous communities and the knowledge they hold, while rejecting and breaching the partnerships that Indigenous Peoples in Canada have offered.

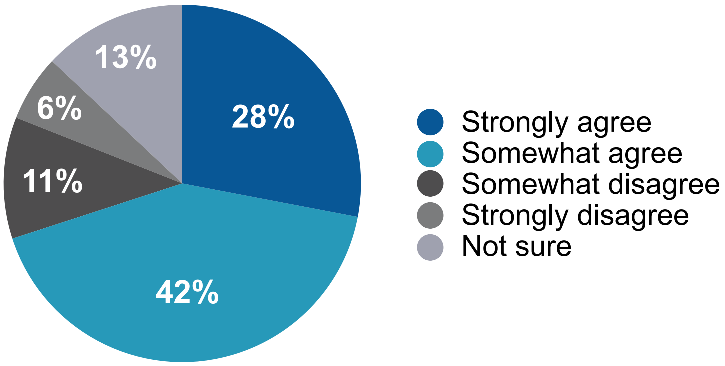
According to Innovative Research Group's poll in June 2021, national awareness of Indigenous issues in Canada is at an all-time high, in large part due to national press coverage of 215 unmarked graves located at a former Kamloops residential school.[18] This number had grown to more than 1300 suspected children's grave sites across Canada by September 2021, which Indigenous communities have described as the "tip of the iceberg".[19]

Innovative's June poll showed that 75% of Canadians had recently read, seen, or heard something about Indigenous Peoples in Canada – the highest number since Innovative began collecting such data in 2007, and up significantly from 42% the last time this data was tracked in 2015.20

This heightened awareness has increased Canadians' sense of moral obligation. Now, 68% of Canadians say that Canada has "a duty to resolve the massive inequalities that Indigenous peoples face" and 55% agree that "since governments have failed so badly, it makes sense for Indigenous peoples to take control of their own affairs."[21]

As more non-Indigenous Canadians begin to reckon with the living legacies of colonialism, we wanted to get a snapshot of investors' views on the role of Indigenous Peoples in Canadian companies' energy transition.

To what extent do you agree or disagree with the following statement? - *"I want the Canadian companies in my portfolio to partner with Indigenous Peoples to ensure they are included in decisions related to any future energy transition and how it affects their communities, lands, and rights."*



The changing attitudes reported by Innovative were reflected in investors' responses as well. Overwhelmingly, 70% of respondents "strongly" or "somewhat" agreed that they want Canadian companies in their portfolio to partner with Indigenous Peoples on decisions around the coming

[18] Innovative Research Group (2021). Indigenous Issues: This time looks different!
[19] Gilmore, Rachel, Global News (2021). Mapping the missing: Former residential school sites in Canada and the search for unmarked graves.
[20] Innovative Research Group (2021). Indigenous Issues: This time looks different!
[21] Ibid.

energy transition. Women (33%) were more likely to strongly agree with this statement than men (23%).

Respondents among all age groups were like-minded when it came to this question. Seventy-two percent of those aged 18-34 “strongly” or “somewhat” agreed, compared to 67% of those aged 35-54 and 71% of those aged 55+. Among households with and without kids, 70% also agreed with the statement.

Conclusion

As the pandemic continues, injustices towards Indigenous Peoples are given more attention, and climate change becomes a more widely lived reality, Canadian investors continue to show a strong interest in responsible investing (RI). In previous years, women were more interested in RI than men, but this gender divide appears to have closed: as of 2021, men and women share similar levels of interest. RI interest among older investors has jumped significantly.

While most investors are interested in RI and would like to be informed, many still lack RI knowledge and report that their advisors or financial institutions aren’t asking the RI questions they want to hear. This persistent RI Service Gap shows that advisors are still overlooking key opportunities to educate and connect with clients about RI products, and how they can use their investments to manage ESG-related risks, opportunities, and impacts. Notably, the RI Service Gap persists across age groups.

In this year’s survey, Canadian investors also revealed that they are concerned about climate change and the environment, and they want Canadian corporations to set goals to achieve net-zero emissions by 2050.

Four out of five investors want their fund managers to encourage corporate emission reductions, and nearly two-thirds specifically want their fund managers to engage with or divest from high-emitting companies who lack net-zero plans. Investors want to put their money to work to reduce emissions and support net-zero goals. They also want businesses to make these transitions with workers and communities in mind, including by partnering with Indigenous Peoples.

Given the immediate urgency of the climate crisis, growing global momentum around net-zero, and investors’ strong interest in RI, financial professionals have the opportunity to close the RI Service Gap and mobilize retail investor capital towards these pressing issues. The themes explored in this report represent abundant opportunity for advisors and fund managers to achieve business goals and improve client service while meeting the challenges of the global climate crisis.