Responsible Investment Association

2023 RIA INVESTOR OPINION SURVEY

CANADIAN INVESTOR PERSPECTIVES ON RESPONSIBLE INVESTING, GREENWASHING & ARTIFICIAL INTELLIGENCE

PARTNERS

AGF Desjardins

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FOREWORD FROM THE RIA'S CEO

I am pleased to share the results of the RIA's 2023 Investor Opinion Survey, our eighth annual survey of Canadian individual investors' perspectives on responsible investment (RI).

This year's report shows that several themes remain consistent year over year:

- Individual investors' interest in RI continues to be high, however their knowledge on the on the subject continues to be low.
- RI ownership has remained consistent since 2020, with about a third of respondents reporting that they currently own a responsible investment.
- A substantial "RI service gap" persists, with respondents looking to their financial advisors to inform and educate them on RI products that align with their values, but only a third say their advisor has discussed this with them.
- Concerns about greenwashing remain and even with a slight decrease since last year, this continues to be a deterrent to RI growth.

These consistencies reinforce the significant opportunity for financial advisors to play a key role in bridging RI knowledge and service gaps by having proactive conversations about their clients' values and ESG preferences. The RIA is ideally positioned to support advisors through our commitment to delivering best-in-class RI education, programming and resources – all vital enablers of this important endeavor.

The persistence of greenwashing concerns continues to be a challenge for the industry. However, with the development of standardized guidance, such as the Definitions for Responsible Investment, published in late-2023 as a collaboration of the CFA Institute, the Global Sustainable Investment Alliance (of which the RIA is a member), and the Principles for Responsible Investment, greater transparency and integrity will be enabled. The RIA will continue to engage with investors, policymakers, regulators, and other industry players to support the advancement of RI standards and practices in Canada, setting the stage for greater flows of retail investment capital toward RI products.

In keeping with issues at the forefront of investment decision making, this year's report includes findings on investors' familiarity with Artificial Intelligence (AI) and their perceptions of its relationship with the investment process. Almost half of respondents view AI as more of a risk than opportunity and slightly fewer regard it as both. The majority feel it is important for their portfolio companies to be transparent about their use of AI and mitigate related risks, and half believe that investment in the development of AI is of critical importance.

This report was made possible by the generous support of our sponsors AGF Investments and Desjardins Investments. I am very grateful for their ongoing commitment to the RIA, our mission, and this important annual research.

Sincerely,

Patricia Fletcher, ICD.D
Chief Executive Officer
Responsible Investment Association

MESSAGE FROM AGF INVESTMENTS

As a Sustaining Member of the RIA, and with our long tenure in sustainable investing, AGF Investments Inc. (AGF Investments) supports the RIA's research on evolving attitudes toward responsible investing (RI) and related issues.

This year's RIA's Investor Opinion Survey uncovers some notable findings – both encouraging and disheartening – that we hope will promote continued dialogue between investors and their financial institutions or advisors.

Specifically, interest in RI remains strong with two-thirds (65%) of all respondents – and an even greater proportion of those aged 18-34 – expressing an interest, yet 70% know little or nothing about RI, including 21% who've never heard of it.

In addition, two-thirds of respondents indicated they want information on RI options from their financial providers, but only 32% reported having discussed them, suggesting a considerable RI "service gap" exists.

Addressing this gap presents opportunities, but firms and advisors must navigate issues like greenwashing concerns – which nearly half of respondents (46%) agree deter them from RI. At the same time, nearly half (46%) of respondents view AI as much or somewhat more of a risk.

At AGF Investments, we hope this year's survey findings will promote meaningful dialogue around RI. For our part, we're committed to ensuring the advisors we work with continue to have the resources they need to engage in informed discussions with their clients while also offering access to sustainable investing products to meet investor demand.

MESSAGE FROM DESJARDINS INVESTMENTS

We're delighted to support this RIA survey, which contributes to a growing body of knowledge on the subject.

The survey results confirm the priority we attach to RI, with over 2/3 of respondents expressing an interest. It also serves as a guide to emerging topics. The results of the questions asked for the first time on Artificial Intelligence speak volumes - investors want to be informed of the issues surrounding the use of AI and perceive AI more as a risk than an opportunity. This prompts us to consider this crucial dimension in our analyses.

But this survey also tells us that the challenges for RI remain significant. Knowledge of RI remains low, and while 67% of investors want advisors to talk to them about RI options, only 32% reported that their advisor discussed it with them. Fear of greenwashing also remains high – nearly half of respondents reported greenwashing concerns was a deterrent from investing in RI.

This service gap has now persisted for several years, calling for action. We are convinced that training and education are the answers. We will pursue our efforts on these fronts relentlessly, calling on all industry players and regulators to also continue giving thought to how the service gap can be resolved. By facilitating more informed conversations, we can help reduce fears of greenwashing, and help investors feel more confident in their investment choices.

METHODOLOGY

This report is based on findings from an Ipsos survey conducted for the Responsible Investment Association from November 24th to November 28th, 2023. For the survey, a sample of 1,001 Canadian investors were 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 was weighted to the Canadian population by region, gender, age, and education. In this year’s survey, the gender categories were adjusted to be more inclusive. Canada’s 2021 Census included three gender categories: man, woman and non-binary person. Accordingly, the survey questionnaire choices for gender were updated to: Male, Female, and Other/Prefer not to answer. Given very few respondents identified their gender under the Other/Prefer not to answer category, responses in this category were distributed in the first two categories.

Due to the effects of rounding, figures may not total to 100 and sums of individual items may not equal totals.

BACKGROUND

The 2023 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 eight annual survey of individual investors and is based on data from 1,001 individual investors across Canada.

The first section of the report examines investors’ interest, knowledge, and ownership of responsible investments, and compares these results over time. The report also checks whether recent market volatility has affected investors‘ sentiment toward RI. In the second section, the report tracks investors’ level of concern about greenwashing in the investment industry. In the third section, a new series of questions on investors’ perspectives on artificial intelligence (AI) are examined including familiarity with its day-to-day applications, whether AI presents more of a risk or opportunity, likelihood to rely on AI-based research tools for investment decisions, and importance of the actions of companies in their investment portfolio as it relates to AI.

ACKNOWLEDGEMENTS

Special thanks to report Partners, AGF and Desjardins, for financial support which made this research possible

AGF

Partner

Desjardins

Partner

Ipsos

Research Partner

This study was conducted by Ipsos on behalf of the Responsible Investment Association (RIA)

ABOUT THE RIA

The Responsible Investment Association (RIA) is 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. Our institutional members collectively manage over $40 trillion in assets. Learn more at www.riacanada.ca.

RELATED RESEARCH & PUBLICATIONS

- 2022 RIA Investor Opinion Survey
- 2021 RIA Investor Opinion Survey
- 2020 RIA Investor Opinion Survey
- 2019 RIA Investor Opinion Survey
- 2018 RIA Investor Opinion Survey
- 2022 Canadian RI Trends Report
- 2021 RIA Advisor Opinion Survey

EXECUTIVE SUMMARY

The 2023 RIA Investor Opinion Survey examines Canadian individual investors' perspectives on responsible investing (RI), which incorporates environmental, social, and governance (ESG) factors into investment decisions, as well as their views towards greenwashing and the application of AI in investment decision-making.

The RIA commissioned Ipsos to collect data from 1,001 individual investors via an online survey. Most investors continue to express interest in RI and ownership rates have remained steady, yet knowledge of RI remains more limited and impressions that RI can have a real impact on the economy and contribute to positive change for society while still strong have softened. At two-thirds, the majority of investors would like their financial services provider to inform them about RI, while only one-third have actually discussed it. As seen in previous years, there continues to be a large "RI service gap" and significant untapped opportunity.

Greenwashing remains a prominent concern and deterrent to RI but has lessened somewhat over the past year. As new guidance on disclosure requirements for ESG claims has been implemented by investment managers in recent years it may be helping to soften concern, but there remains more to be done. Nearly half of investors are worried about greenwashing to the point that it could pose a barrier to investing in RI funds, confirming the importance of transparency and audit measures both at investee companies and portfolio managers levels, to have accurate and reliable reporting.

Artificial intelligence (AI) has revolutionized many industries and is starting to be deployed in investment decision-making. This study sheds light on Canadian investors' knowledge and understanding of AI, as well as their readiness to use it in their responsible investment decisions. Although AI appears to be an area of interest for half of survey respondents, the vast majority of investors are concerned about its associated risks. This suggests a need for the industry to try to mitigate these risks and to better shape the use of AI tools to be ethically compliant and transparent.

The findings of this survey help reinforce that education about RI remains key to increasing adoption among retail investors. Financial professionals can add value to their client relationship and help satisfy the strong interest in RI by better educating their clients on ESG topics and RI fund options. It is also apparent that further efforts are needed in improving the transparency and accuracy of disclosure requirements which represent a concern among investors as it relates to both greenwashing and the application of AI in investment decision-making. Improving the level of education of retail investors in general while working to address specific concerns about the provision of reliable data and mitigation of risks, particularly as it relates to AI, should help advance the public conversation about RI and close the "RI service gap.".

KEY FINDINGS

Interest in RI continues to be high, however most lack detailed knowledge and impressions of positive impact have softened

- Two-thirds (65%) of respondents express interest in RI. Younger respondents continue to be more interested than older respondents and interest has increased among those 18-34 compared to a year ago.
- Unchanged from last year, 70% know little or nothing about RI, including 21% who have never heard of it.
- Ownership of RI has remained consistent since 2020 and 33% of respondents say they currently own responsible investments.
- Considering the impact of world events, 36% of respondents say they are more likely to choose RI than one year ago, while 47% say are neither more nor less likely.
- While a strong majority of respondents (69%) strongly or somewhat agree that RI can have a real impact on the economy and contribute to positive change for society, results have softened compared to a year ago (76%) and a higher proportion were unsure.

There remains a considerable "RI service gap"

- Two-thirds of respondents (67%) would like their financial services provider to inform them about RI options that are aligned with their values. However, only 32% said their financial services provider had ever discussed the subject.

Concerns about greenwashing remain and are determining RI

- Most (68%) are very or somewhat concerned about greenwashing, however less so than in 2022 (75%).
- Nearly half of respondents (46%) strongly or somewhat agree that concerns about greenwashing deter them from RI, while 29% strongly or somewhat disagree and 26% are not sure.

AI seen as more of a risk and there is a strong desire for companies to mitigate risks associated with its use and provide transparency

- Nearly half (46%) of respondents view AI as much or somewhat more of a risk, while slightly fewer (43%) say they see it as both a risk and opportunity, and 11% see it as much or somewhat more of an opportunity.
- Eight in ten (79%) say it is very or somewhat important for companies in their portfolio to identify and mitigate potential risks associated with AI, while half say it is as important for them to invest in the development of AI (51%) and make use of AI in their products or services (49%). Further, three-quarters (74%) either strongly or somewhat agree that they would like companies to be encouraged to provide transparency and data on how they are using and investing in AI.

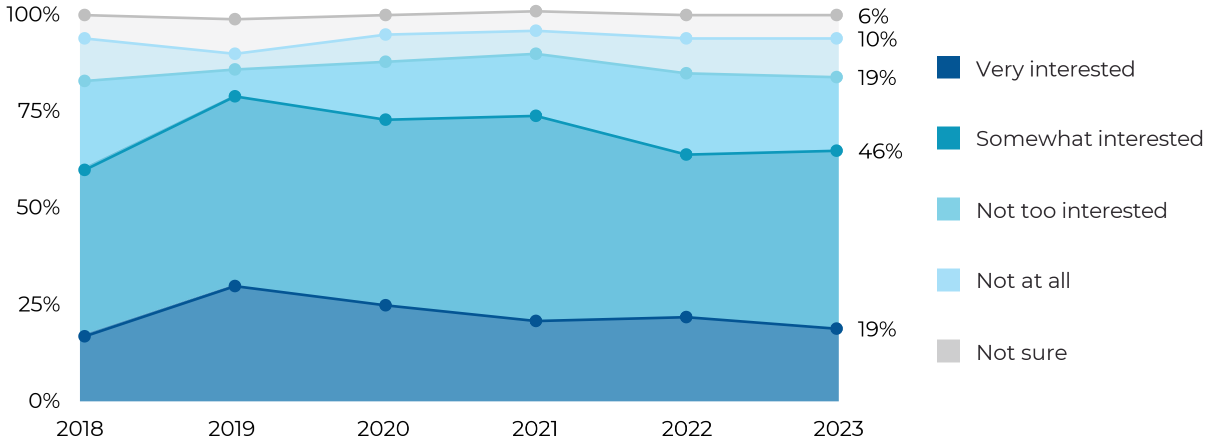
INVESTORS CONTINUE TO BE INTERESTED IN RI, BUT KNOWLEDGE REMAINS LIMITED

The 2023 survey results highlight that a strong majority of respondents continue to express interest in RI, with 65% either very (19%) or somewhat (46%) interested. Results are consistent with 2022, where 64% expressed interest, but remain lower than in 2021 and 2020, where 73% and 72% expressed interest respectively. **(Figure 1)**.

The past year saw rising inflation and interest rates combined with continued geopolitical turmoil and concerns about a recession leading to strongly negative returns for global fixed income and equity market. There was also a corresponding decline in RI assets under management. Despite this, RI posted a modest gain in market share which underscores both the steady commitment to and the resilience of RI in Canada[1].

FIGURE 1

To what extent are you interested in responsible investments that incorporate environmental, social and governance factors?



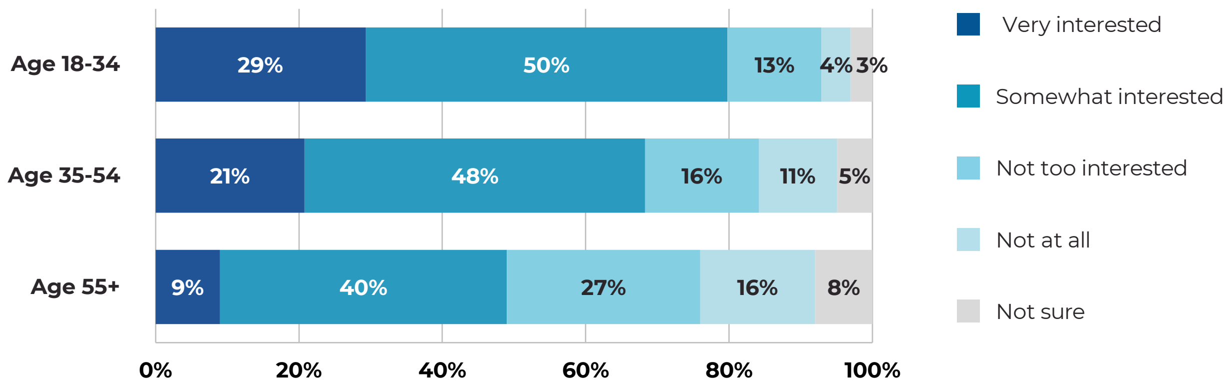
Interest in RI continues to be higher among younger respondents compared to older respondents and there has been a notable increase in interest among those 18-34 compared to 2022.

1 "2023 Canadian RI Trends Report." *Responsible Investment Association*, October 2023.

The vast majority of respondents aged 18-34 express interest in RI, with 80% either very or somewhat interested (versus 71% in 2022) . By comparison, 68% of those aged 35-54 were either very or somewhat interested and among those 55 or older, the number drops to 49%. **(Figure 2)**.

FIGURE 2

Extent of interest in responsibleinvestments by age group

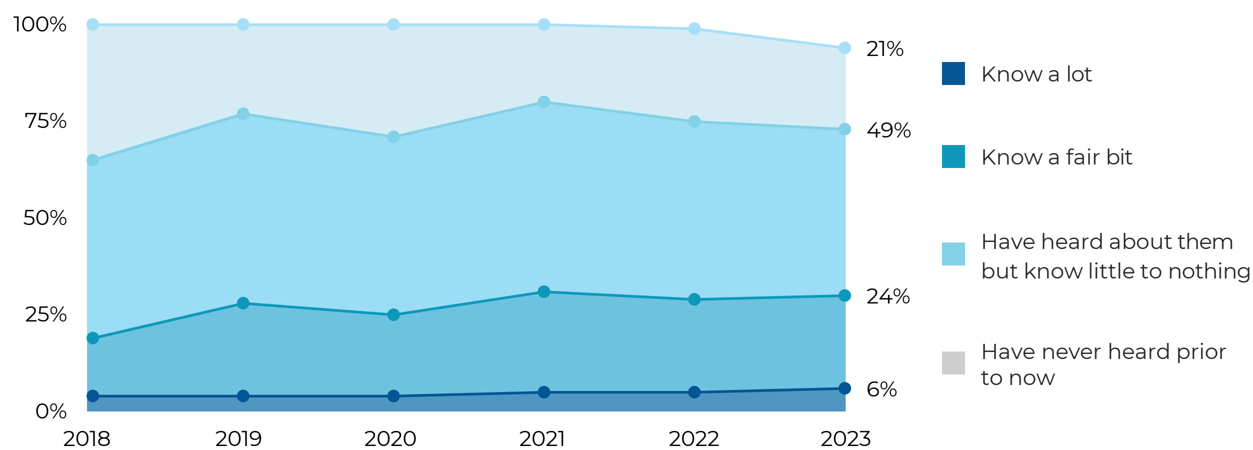


Women continue to express slightly higher interest in RI with 67% saying they are very or somewhat interested, compared to 63% of men, and results have remained consistent with 2022 (67% among women and 61% among men). Further, households with children also continue to be more interested in RI than those without (80% vs. 59%, respectively, are very to somewhat interested).

The vast majority of investors still lack detailed knowledge about RI.

FIGURE 3

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



Unchanged from last year, 70% of respondents say they know very little or nothing about RI, including 21% who had never heard of it and 49% who know little to nothing. Results have been consistent over the past two years (70% 2022, 69% 2021) but remain higher than in 2020 or earlier where 75% or more say they either never heard of RI or knew little or nothing about it **(Figure 3)**.

Knowledge of RI continues to differ significantly by age with those 55 or older less likely to say they know a fair bit or a lot (24%) compared to those 35-54 (32%) and 18-34 (35%), and more likely to report they have never heard of RI or know little or nothing (75%, compared to 68% among those 35-54 and 65% among those 18-34).

Notable differences also continued to be observed by gender, with 37% of men saying they know a lot or a fair bit compared to 23% of women, who are also more likely to say they have never heard of RI (26% vs. 16% of men). Households with children were also more likely to say they know a lot or a fair bit compared to those without (29% and 22% respectively).

Broadly speaking, Canadians' general investment knowledge is low[2] which adds an extra layer of complexity when engaging about responsible investment specifically. In order to help address investors' gaps in knowledge, it is important for advisors to become better educated about RI themselves so that they can better serve their clients.

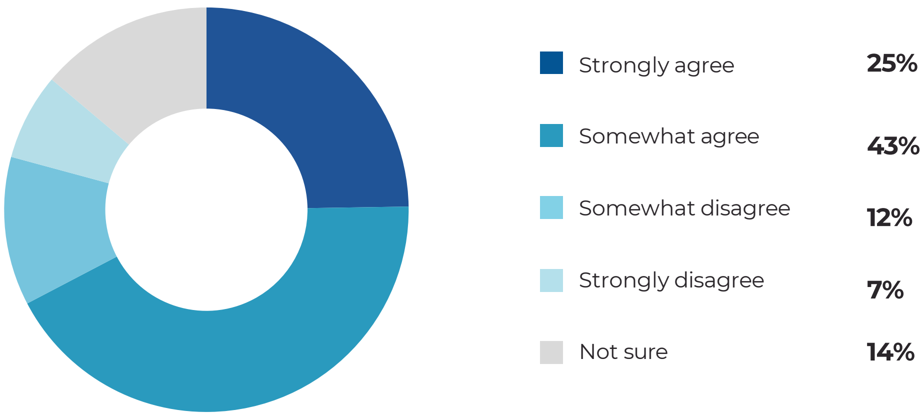
2 "2020 CSA Investor Index." *Canadian Securities Administrators*, 2020.

RI SERVICE GAP PERSISTS

Consistent with the high levels of interest in RI, a strong majority of respondents (67%) somewhat or strongly agree they would like their financial services provider to inform them about responsible investments that are aligned with their values **(Figure 4)**. However, results are lower than in 2022 when 73% agreed and the overall proportion who want their financial advisor to engage on the topic has been softening since 2021 (77%).

FIGURE 4

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."

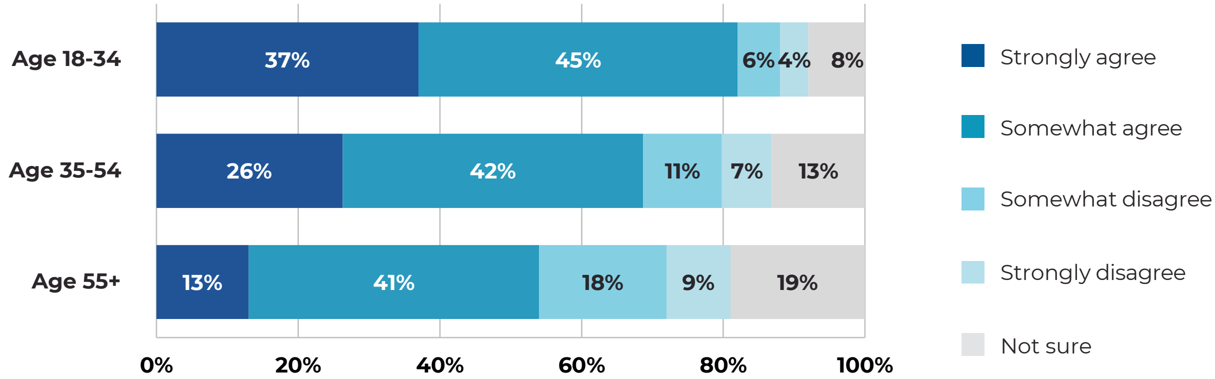


(*Financial institutions include banks, credit unions, brokerages, self-directed trading platforms, and other investment services.)

Younger respondents continue to be more likely to express the desire to be informed about RI, with 82% of those aged 18-34 strongly or somewhat agreeing they would like to be informed, compared to 68% of those aged 35-54 and 54% of those 55 or older. Fewer of those 55 or older would like to be informed about RI options by their financial services provider compared to a year ago (2022 65%), while results are consistent among those aged 18-34 or 35-54 **(Figure 5)**.

FIGURE 5

Respondents who would like their financial advisor or institution to inform them about RI (by age group)

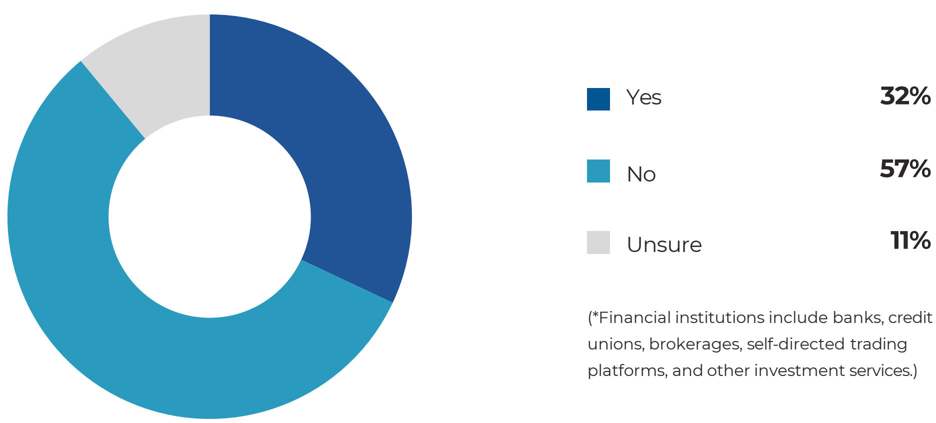


Women are slightly more likely to want to be informed about RI than men (70% vs. 65% strongly or somewhat agree. However, the gap has narrowed since 2022 primarily due to the current lower agreement among women (76% of women and 69% of men agreed in 2022). Households with children were also more likely to agree compared to those without (78% and 63% respectively).

As in previous years, the proportion of investors who want to know more about RI is considerably higher than those who report being asked by their advisors if they are interested. This year, 32% of respondents stated that they had never been asked if they are interested in responsible investments that are aligned with their values **(Figure 6)**. Results are consistent with 2022 (31%) and continue to be higher than in 2021 (27%).

FIGURE 6

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



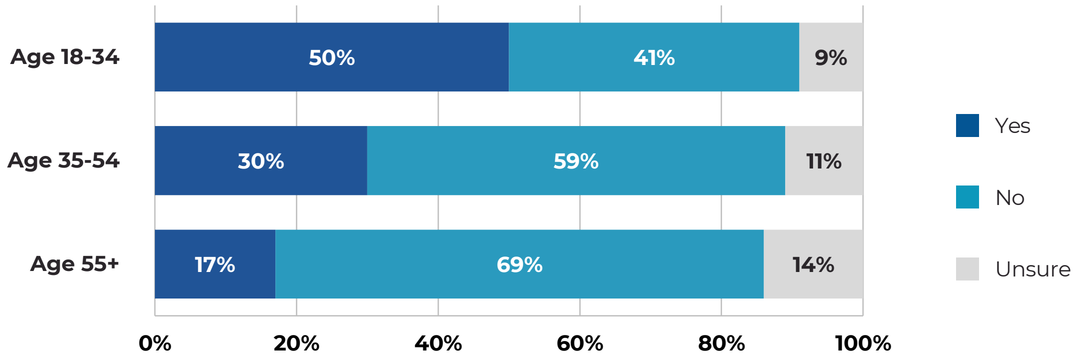
(*Financial institutions include banks, credit unions, brokerages, self-directed trading platforms, and other investment services.)

Results continue to show that advisors are placing greater focus on younger clients as it relates to RI and more so than in previous years. Among those aged 18-34, 50% reported being asked by their advisors if they are interested, higher than in 2022 (41%). In comparison, 30% of those aged 35-54 said they were asked and 17% of those 55 or older **(Figure 7)**.

Household composition also continues to have an influence with 42% of respondents with children having been asked compared to 27% of those without. The gender gap observed in previous years no longer remains, with men and women equally as likely to report being asked (32% of men and 31% of women).

FIGURE 7

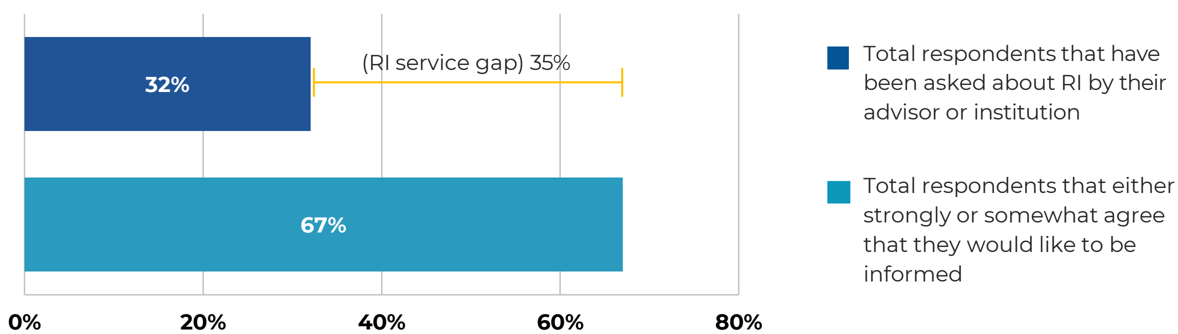
Percentage of respondents who have been asked if they are interested in responsible investments that are aligned with their values, by age group



While there has been an increase in the proportion of advisors asking about their clients' interest in RI compared to 2021 and earlier, there remains a significant untapped opportunity. Overall, 67% of respondents express a desire to be informed about RI compared to the 32% who say their advisor has gauged their interest. In 2023, the "RI service gap" of investors who are interested in RI, but not receiving the services they want, stands at 35% **(Figure 8)**. The gap is lower than in 2022 (42%) and 2021 (50%), however the narrowing is primarily due to fewer expressing desire to be asked about RI.

FIGURE 8

RI Service Gap



In order to narrow the RI service gap, it remains of particular importance for advisors to ~~work to~~ improve their knowledge of RI and do more to initiate conversation on the topic with their clients. As noted in last year's report, advisors who feel knowledgeable about RI are much more likely to feel comfortable starting the RI conversation with their clients, whereas those who feel less knowledgeable are more inclined to wait for their clients to take the lead.[3] Further, while the majority of advisors feel they have excellent or very good knowledge of RI, it has been shown that some are overestimating what they know[4] . Focus should continue to be placed on ensuring advisors are better educated on RI to take advantage of the opportunity that exists among investors and fill the service gap[4].

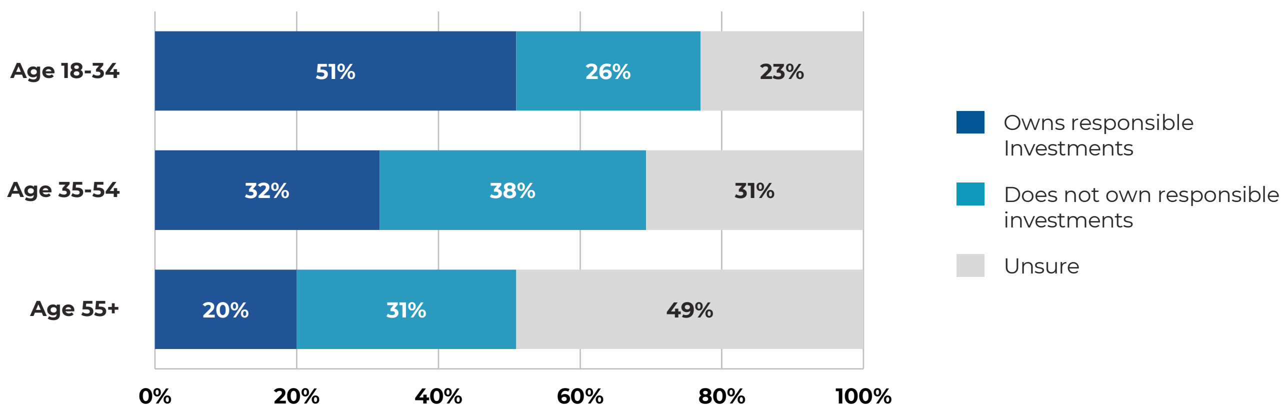
3 "2021 RIA Advisor Opinion Survey." *Responsible Investment Association*, 2022.
4 "2021 RIA Advisor Opinion Survey." *Responsible Investment Association*, 2022.

RI OWNERSHIP UNCHANGED

Reported RI ownership remained unchanged since the 2022 report and has stayed consistent since 2020. This year, 33% of respondents said they own responsible investments that incorporate ESG factors. This was the same as in 2022 (33%) and consistent with 2021 (31%) and 2020 (33%).

FIGURE 9

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



Consistent with previous years, younger respondents are much more likely to own responsible investments **(Figure 9)**. Just over half (51%) of respondents aged 18-34 reported they own RI, compared to 32% among those aged 35-54 and 20% of those 55 or older. Reported RI ownership remained consistent among all age groups compared to 2022. Reported RI ownership is also higher among households with children compared to those without (40% vs. 30%).

As observed in prior years, a sizeable proportion of respondents are not sure if they own responsible investments (35% in 2023, 36% in 2022 and 33% in 2021). Women continue to be more likely than men to say they are unsure (41% and 29% respectively), which largely reflects the differences in reported RI knowledge.

IMPACT OF WORLD EVENTS ON RESPONSIBLE INVESTMENT

Geopolitical and economic issues have ongoing global implications, including several wars, concerns about rising inflation and interest rates, and availability of affordable housing. This is compounded by threats to the environment brough on-by climate change and biodiversity loss.

With this in mind, respondents were asked if these current issues are affecting their likelihood of choosing responsible investments compared to one year ago. Overall, 36% said they are more likely to choose RI than they were one year ago, 47% are neither more nor less likely, 7% are less likely, and 11% are unsure **(Figure 10)**. Results are largely consistent with 2022, however slightly fewer report being more likely to choose RI as a result of world events (2022, 40%).

Age, gender, and household composition continue to be factors that influence the likelihood of choosing RI compared to a year ago.

FIGURE 10

What effect, if any, would you say geopolitical and economic-issues have on your likelihood to choose responsible investments, compared to one year ago?

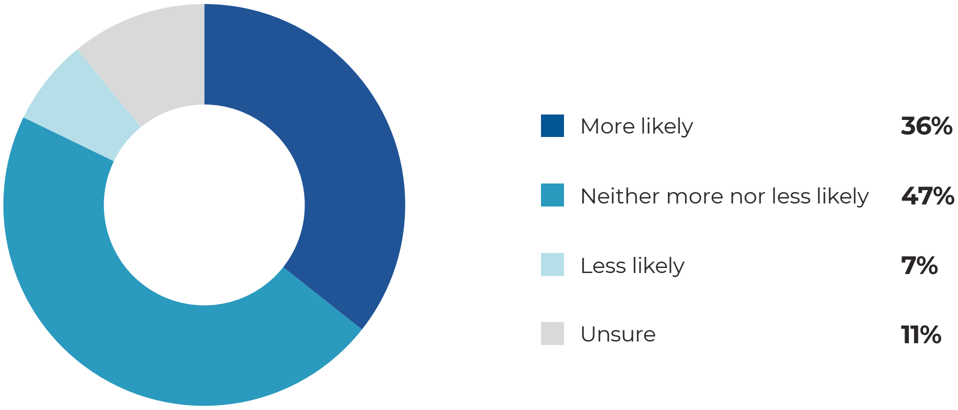
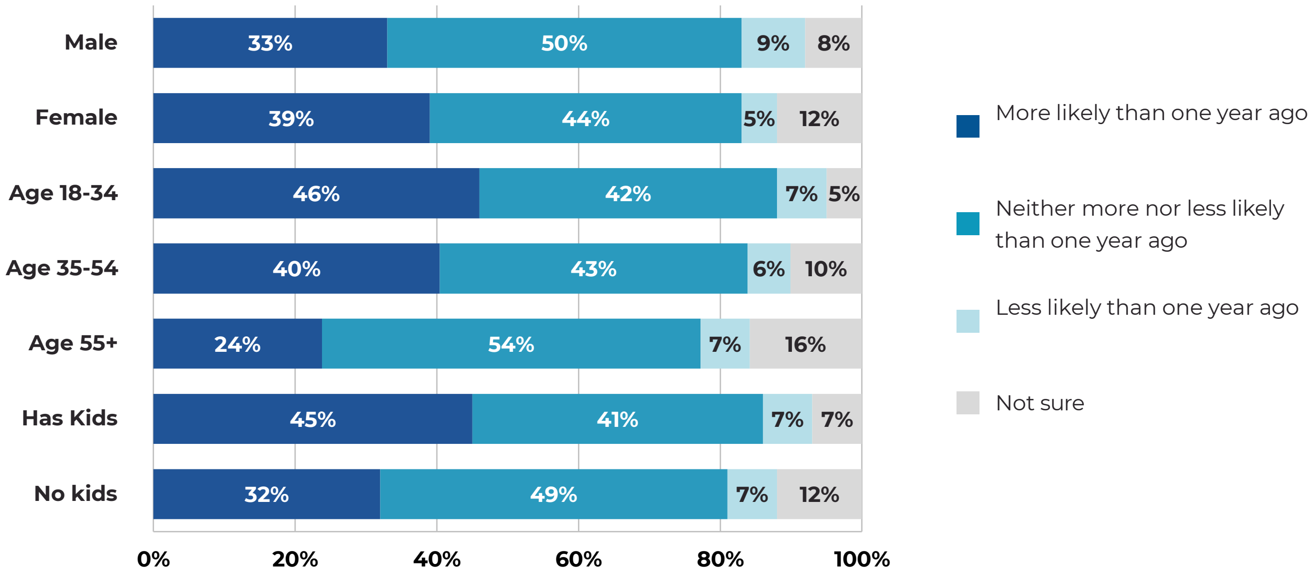


FIGURE 11

Likelihood to choose RI compared to one year ago



Younger and middle-aged respondents continued to report a higher likelihood of choosing RI compared to one year ago. Of those aged 18-34, 46% were more likely to choose RI, as are 40% of those aged 35-54 compared to only 24% of those 55 or older. **(Figure 11)**.

Women are somewhat more likely than men to choose RI compared to a year ago (39% vs. 33%, respectively) Household composition also continued to have an influence with 45% of those with children more likely to choose RI, compared to 32% of those without.

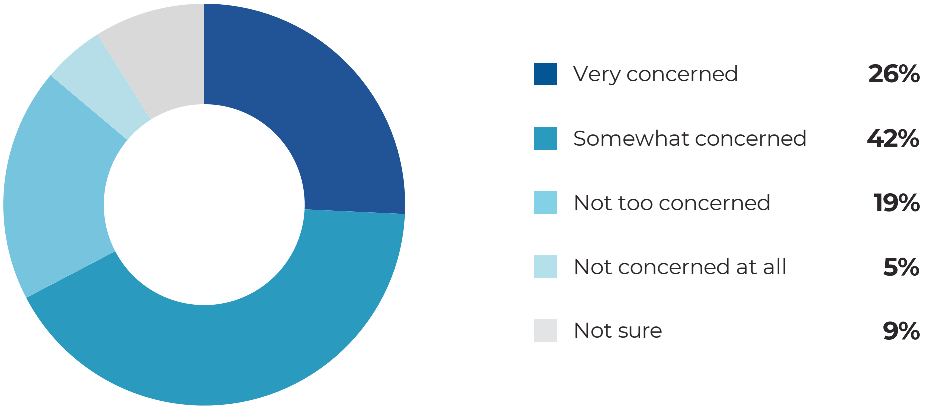
IN FOCUS: GREENWASHING IN THE INVESTMENT INDUSTRY

Investors continue to express concern about greenwashing but somewhat less so than a year ago. As scrutiny of ESG-related claims has grown, investment fund managers have been provided guidance by the Canadian Securities Administrators (CSA) on disclosures related to ESG considerations as recently as January 2022 and there has been a notable increase in confidence among the majority of institutional investors and financial intermediaries in the overall quality of ESG reporting compared to a year ago.[8] The greater focus on clarifying disclosure requirements and provision of reliable data in recent years and increased confidence in reporting may be helping to lessen concern about greenwashing among investors.

Despite this, greenwashing remains a prominent deterrent to the growth of RI and institutional investors or financial intermediaries continue to rank "mistrust/concerns about greenwashing" as the top perceived barrier (followed by "lack of standardized ESG disclosure frameworks/standards" and "lack of reliable data").[9] Similarly, the vast majority of financial advisors are highly concerned about greenwashing as it relates to RI, and concerns about lack of standards.[10]

FIGURE 12

How concerned are you about greenwashing in the investment industry?



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8 9 "2023 Canadian RI Trends Report." *Responsible Investment Association*, October 2023.

10 "RIA 2021 Advisor Opinion Survey." *Responsible Investment Association*, 2022.

When asked about their level of concern with greenwashing in the investment industry, 68% of respondents say they are concerned (26% very concerned and 42% somewhat concerned, showing lower concern overall than in 2022 (75%) and 2021 (78%) **(Figure 12)**.

Younger investors were more likely to express concern with greenwashing. Among those aged 18-34, 78% were very or somewhat concerned, compared to 65% among those 35-54, and 62% among those 55 or older. There was little differentiation in responses by gender with men and women equally as likely to express concern (66% and 69% respectively).[11]

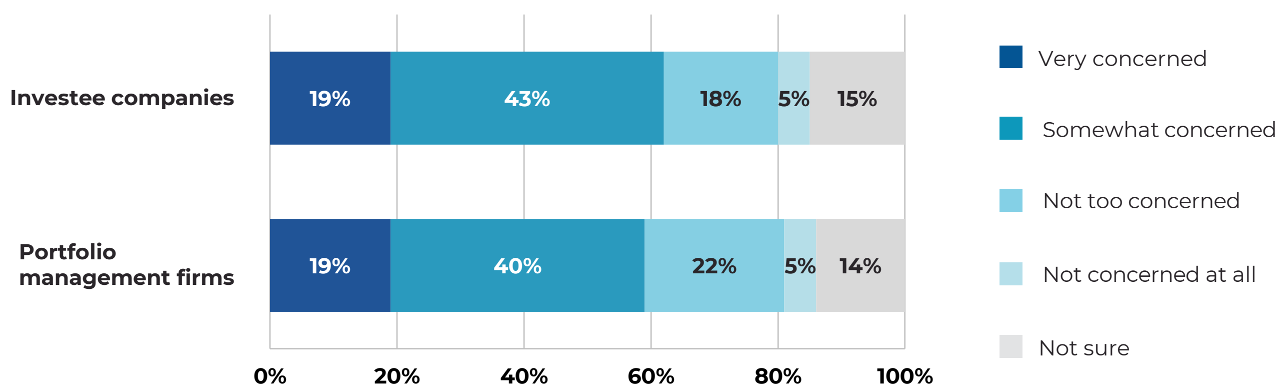
Concern about greenwashing by level within the investment industry

Respondents were also asked about their level of concern with greenwashing by level within the investment industry and results were consistent between investee companies and portfolio management firms.

The majority of respondents say they are very or somewhat concerned about greenwashing by either investee companies (62%) or portfolio management firms (59%), largely consistent with the overall level of concern **(Figure 13)**.

FIGURE 13

And, how concerned are you about greenwashing by each of the following levels within the investment industry?



Notably, concern about greenwashing by investee companies is higher among younger respondents. Among those aged 18-34, 69% are very or somewhat concerned, compared to 62% among those 35-54, and 57% among those 55 or older. Concern about greenwashing at the investee company level is also higher among households with children (69%), compared to those without (59%).

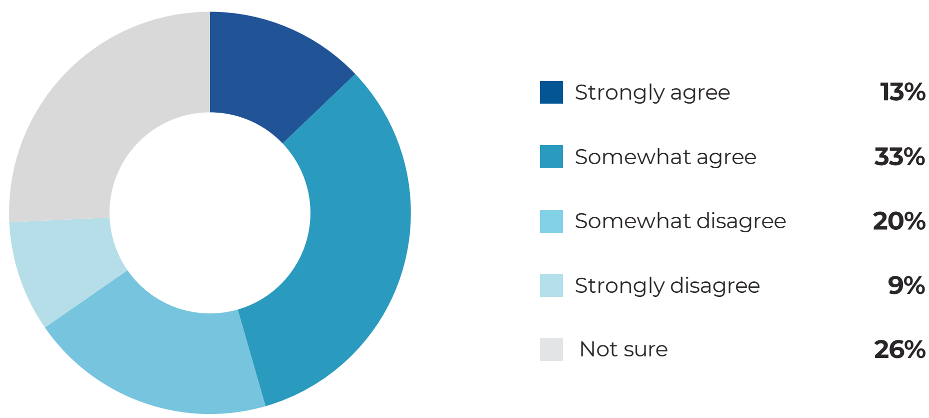
11 For the purpose of the surveys, respondents were provided with this definition of greenwashing: "false information that is distributed by an organization to make it look more environmentally responsible than it actually is."

Impact of concern about greenwashing on RI

When asked to what extent concerns about greenwashing deter them from investing in RI funds, nearly half of respondents (46%) either strongly or somewhat agree while 29% either strongly or somewhat disagree, and 26% are not sure **(Figure 14)**.

FIGURE 14

Do you agree or disagree with this statement: "Concerns about greenwashing deter me from investing in responsible investment funds."

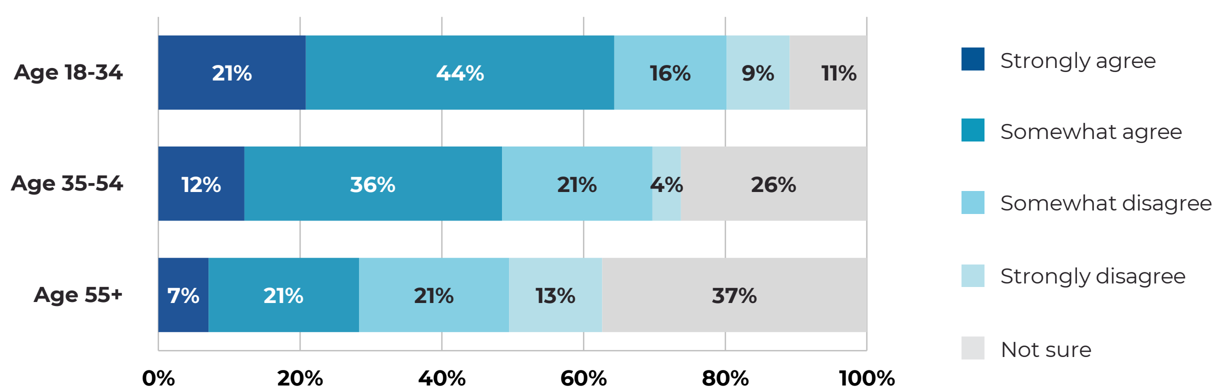


Level of agreement is higher among younger respondents: 65% of those between 18-34 strongly or somewhat agree, compared to 48% of those aged 35-54 and 29% of those over the age of 55. Older respondents are much more likely to be unsure than younger respondents (37% of those 55 or older, compared to 26% of those 35-54, and 11% of those 18-34) **(Figure 15)**.

Household composition also has an influence with 61% of those with children in agreement, compared to 40% of those without. There are limited differences by gender, however women are more likely to say they were unsure than men (30% and 21% respectively).

FIGURE 15

Impact of concern about greenwashing on RI, by age group



Education for both advisors and investors on RI continues to be an area of focus and may be the key to reducing concerns about the risks of greenwashing, as would the provisions of standardized disclosures for RI funds to make ESG claims.[12]

In Canada, there continue to be on-going efforts by regulators and industry to reduce the potential for greenwashing, particularly as it relates to investment fund disclosures for retail investors.
In July 2022, the Canadian Investment Funds Standard Committee (CIFSC) published a Responsible Investment (RI) Identification Framework with the aim to provide clarity for investors who wish to invest in retail investment products (mutual funds and ETFs) with responsible investment strategies.[13] And in February 2024, the CIFSC proposed changes to the Identification Framework. to modify language of the existing definitions to align closely with the terminology used in the global publication of Definitions for Responsible Investment Approaches (jointly written by the CFA Institute, Global Sustainable Investment Alliance, and the United Nations Principles of Responsible investing).[14]

12 Lanz, D. "An advisor's short guide to greenwashing." *Investment Executive*, 2021.

13 "CIFSC Publishes Responsible Investment Identification Framework." *Canadian Investment Funds Standards Committee (CIFSC)*, 5 July 2022. Accessed 10 November 2022.

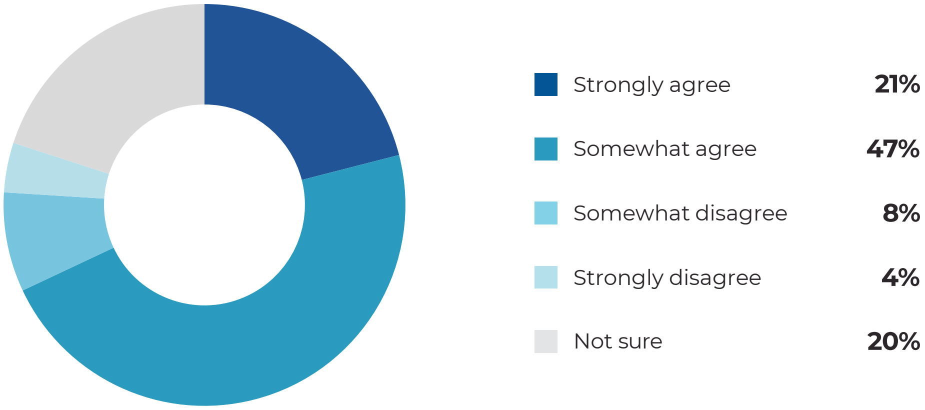
14 Proposed Changes to Responsible Investment identification framework" *Canadian Investment Funds Standards Committee (CIFSC)*. 1 February 2024.

RI AS A MEANS TO POSITIVE CHANGE

By and large, respondents continue to view responsible investment as a source of good for the economy and society. However, results have softened year-over-year and a higher proportion are unsure.

FIGURE 16

To what extent do you agree with this statement: "Responsible investment can have a real impact on the economy and contribute to positive change for society."



A strong majority of respondents (68%) either strongly or somewhat agree that RI can have a real impact on the economy and contribute to positive change for society, while 12% either strongly or somewhat disagree, and 18% were unsure **(Figure 16)**. Agreement has declined compared to 2022 (76%) and a higher proportion of respondents reported they were unsure (20% vs. 13% in 2022).

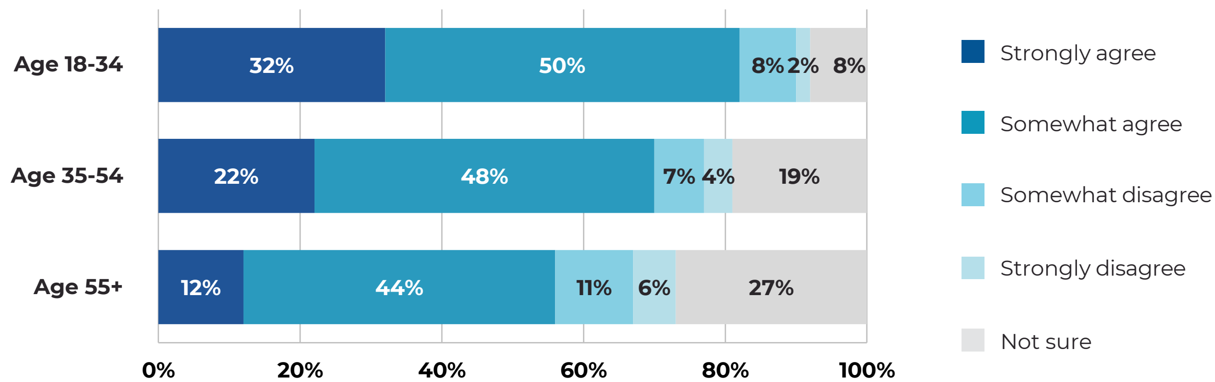
The proportion of men and women who strongly or somewhat agree that RI can have a real impact was consistent (68% and 70% respectively). However, women are more likely to say they were unsure (24% vs. 13% among men), while men are more likely to strongly or somewhat disagree (20% vs. 7% among women).

Agreement continues to differ by age and was higher among younger respondents. Among those aged 18-34, 82% strongly or somewhat agree, compared to 70% of those aged 35-54, and 57% of those aged 55 or older **(Figure 17)**. Compared to 2022, fewer of those 35-54 and 55 or older agreed that RI can have a real impact (77% and 71% in 2022 respectively), while results were consistent among those 18-34 (81%).

Household composition also had an influence and those with children were more likely to agree than those without (79% and 65% respectively). Differences were also observed by education level, 74% of university-educated respondents strongly or somewhat agree that RI can have a real impact on the economy and contribute to positive change for society, compared to 64% of respondents with less education.

FIGURE 17

To what extent do you agree with this statement: "Responsible investment can have a real impact on the economy and contribute to positive change for society."



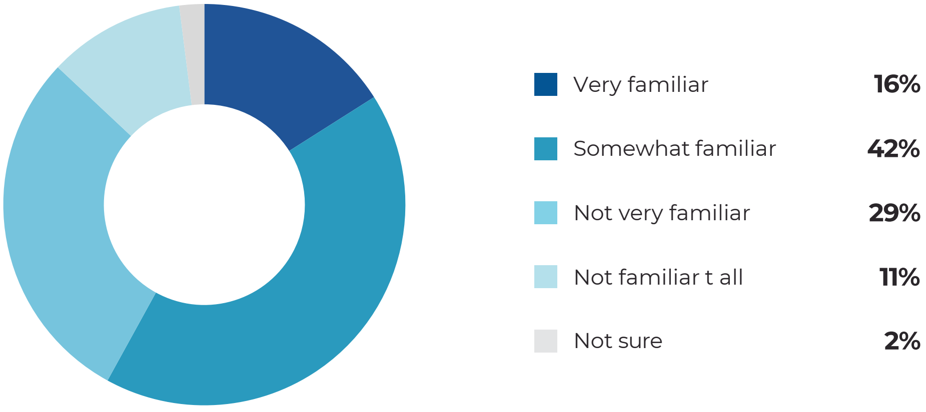
IN FOCUS: ARTIFICIAL INTELLIGENCE (AI)

Given the increasingly prominent role of artificial intelligence (AI) in our day-to-day lives, a new series of questions were asked of respondents about their familiarity with AI and their impressions of its relationship to their investment decisions.

At 6 in 10 (58%), most respondents say they were either very (16%) or somewhat (42%) familiar with the applications of AI in their day-to-day life. 4 in 10 (40%) were either not very or not at all familiar, while 2% are unsure **(Figure 18)**.

FIGURE 18

To what extent are you familiar with the applications for AI in your day-to-day life?

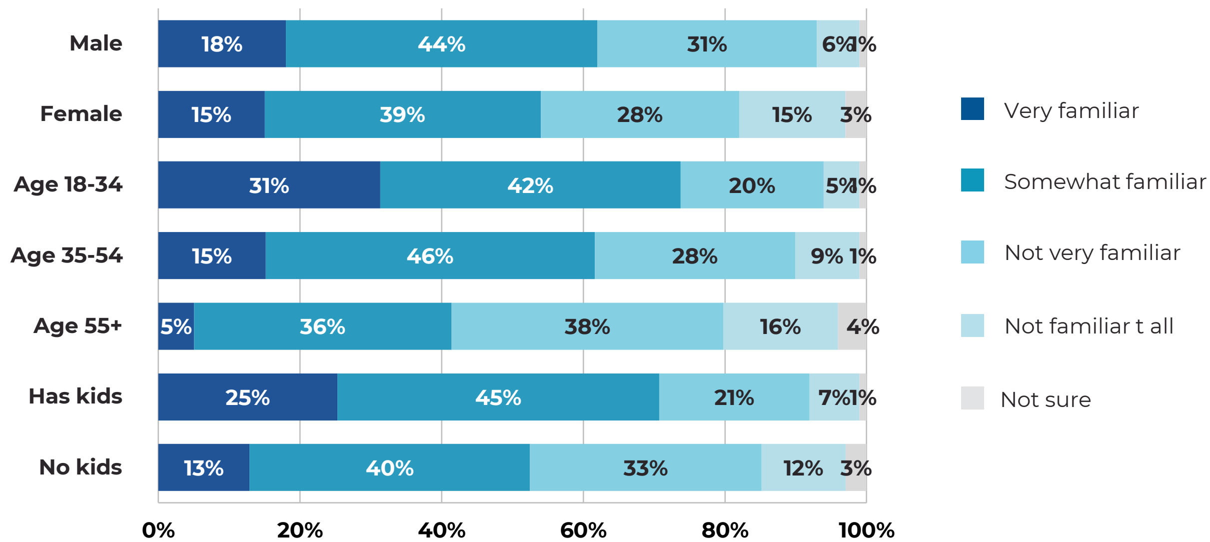


Familiarity with the day-to-day applications of AI is considerably higher among younger respondents. Among those aged 18-34, 74% said they are very or somewhat familiar, compared to 61% of those aged 35-54, and 41% of those aged 55 or older **(Figure 19)**.

There are also notable differences by gender with men more likely than women to say they are very or somewhat familiar (62% and 54% respectively). Household composition also has an influence with 70% of those with children very or somewhat familiar, compared to 53% of those without. By education level, 65% of university-educated respondents are very or somewhat familiar, compared to 57% with some post-secondary, and 36% of those with less education.

FIGURE 19

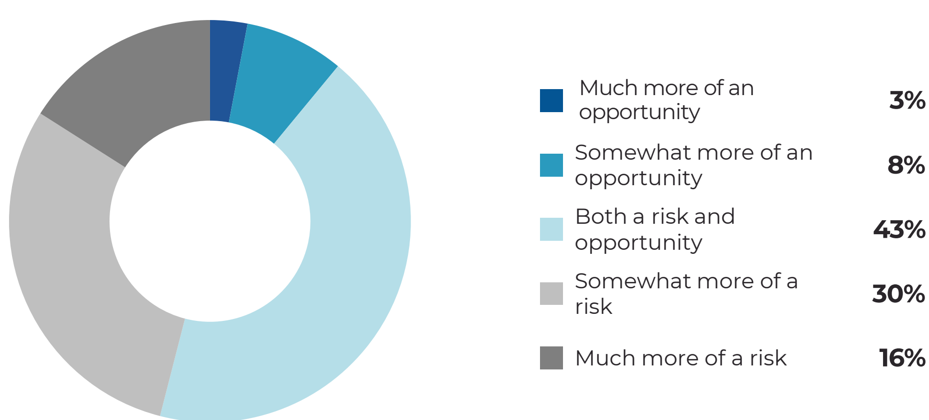
To what extent are you familiar with the applications for Artificial intelligence (AI) in your day-to-day life?



AI viewed as more of a risk to responsible investment decisions than opportunity.

FIGURE 20

In terms of making responsible investment decisions, do you consider AI to be more of a risk or more of an opportunity?



When asked whether respondents view AI as more of a risk or opportunity in terms of making responsible investment decisions, nearly half (46%) say they see it as much or somewhat more of a risk. Roughly 4 in 10 (43%) say they view AI as both a risk and opportunity, while 11% say it is much or somewhat more of an opportunity **(Figure 20)**.

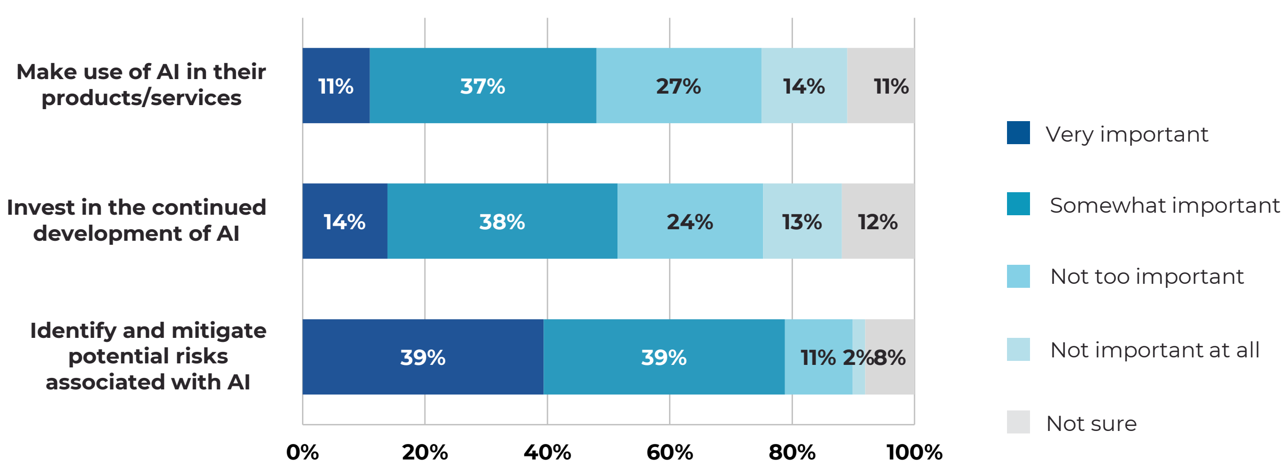
Older respondents are more likely to view AI as both a risk and opportunity than younger respondents. Among those aged 55 or older, 49% say they see is as both a risk and opportunity, compared to 44% among those 35-54, and 36% among those 18-34. Notably, households with higher income are also more likely to say they view AI as both a risk and opportunity (50% of those with an annual income of $100k+ compared to 38% with a lower annual income).

Importance of actions taken by companies in investment portfolio

Respondents were also asked for their views on the importance of different actions that companies in their investment portfolio could take as it relates to AI. At 8 in 10 (79%), the vast majority of respondents say it is very or somewhat important for companies in their investment portfolio to identify and mitigate potential risks associated with AI. In comparison, roughly half say it is very or somewhat important for them to invest in the continued development of AI (51%) and make use of AI in their products or services (49%) **(Figure 21)**.

FIGURE 21

How important is it for the companies in your investment portfolio to do each of the following as it relates to AI?



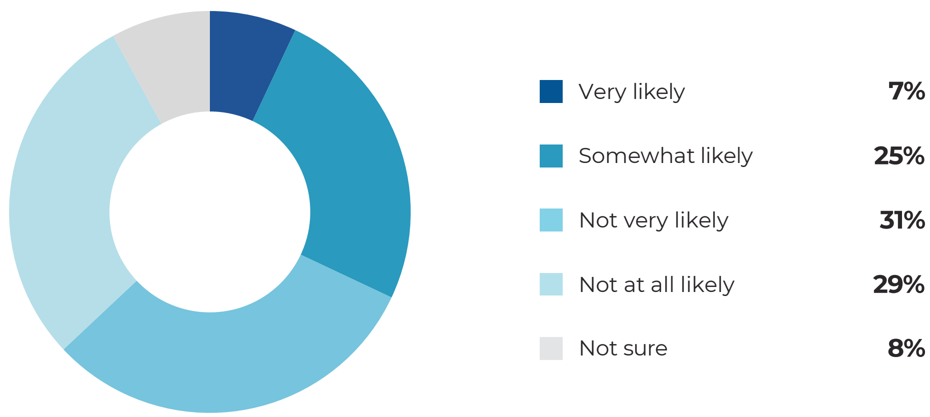
Older respondents are less likely to say it is important for companies in their investment portfolio to invest in AI (36% among those 55 or older, 59% among those 35-54, 61% among those 18-34) or make use of it in their products or services (29% among those 55 or older, 57% among those 35-54, 62% among those 18-34). Men are more likely than women to say it is important for companies in their investment portfolio to invest in the continued development of AI (56% and 48% respectively). Household composition also had an influence and those with children are more likely to say it is important to invest in AI (65% vs.46% for those without) or make use of it in their products or services (64% vs. 42%)..

Likelihood to rely exclusively on AI for investment decisions

The majority of respondents (60%) say they are either not very or not at all likely to rely exclusively on AI-based research tools to make investment decisions in the future. One-third (32%) say they are very or somewhat likely, while 8% are unsure **(Figure 22)**.

FIGURE 22

How likely are you to rely exclusively on AI-based research tools to make investment decisions in the future?

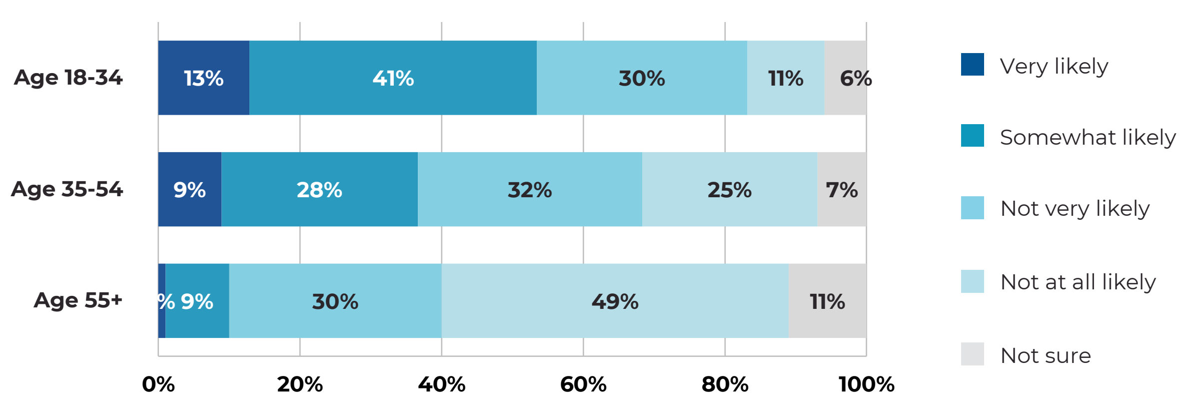


Younger respondents are more likely to express likelihood to rely on AI-based tools for investment decisions, consistent with higher reported familiarity with the day-to-day applications of AI. Among those aged 18-34, 53% say they are very or somewhat likely, compared to 36% among those 35-54, and 10% among those 55 or older **(Figure 23)**.

Households with children are more likely to say they are very or somewhat likely compared to those without (49% and 25% respectively.). Results are consistent by gender.

FIGURE 23

How likely are you to rely exclusively on AI-based research tools to make investment decisions in the future?



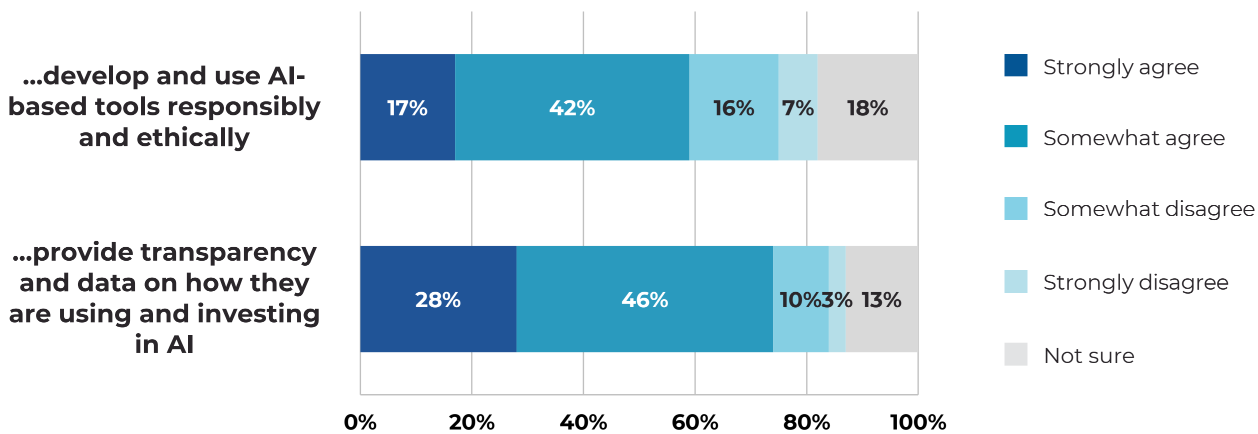
Vast majority desire portfolio companies to be encouraged to provide transparency on use and investment in AI.

When asked to what extent respondents agree that they would like their fund manager to engage with portfolio companies as it relates to AI., three-quarters (74%) either strongly or somewhat agree that they would like companies to be encouraged to provide transparency and data on how they are using and investing in AI. In comparison, 6 in 10 (59%) agree they would like fund managers to encourage companies in their portfolio to develop and use AI-based tools responsibly and ethically **(Figure 24)**.

FIGURE 24

Large investment firms such as mutual funds and pension funds often engage with companies to encourage better practices related to social and environmental issues. With this mind, to what extent do you agree or disagree with the following statements?

I would like my fund manager to engage with portfolio companies to encourage them to...



Younger respondents are more likely to agree that they would like their fund manager to encourage companies in their portfolio to develop and use AI-based tools responsibly and ethically than older respondents (67% among those 18-34, 62% among those 35-54, and 50% among those 55 or older). Men are also more likely to strongly or somewhat agree to this statement than women (62% and 56% respectively), as are households with children compared to those without (68% and 55% respectively).

CONCLUSION

Responsible investment remains an area of interest for retail investors and seen as a means to contribute to positive societal change. However-adoption is being hindered by more limited knowledge of RI among investors and advisors alike and concerns about transparency and disclosure related to greenwashing and the application of AI in investment decision-making.

As in previous years, there continues to be a large “RI service gap” and significant untapped opportunity. The majority of investors want their financial advisor to ask them about their ESG preferences or values, while roughly half as many have actually had the conversation. To address this gap, financial advisors should seek to engage more clients in discussions about RI in order to better educate them on ESG issues, which in turn should result in greater addition.

In this year’s survey, impressions of AI as it relates to investment decision-making were addressed for the first time.   Findings highlight that while AI is an area of interest for most investors, the vast majority are also concerned about its associated risks and efforts will be required to ensure AI tools are used in an ethical and transparent manner.

Concern about greenwashing remains prominent and is a deterrent to RI, but it has lessened somewhat over the past year. New guidance on disclosure requirements for ESG claims provided in recent years may be helping to soften concern, but there remains work to be done particularly in improving general knowledge of RI in general, which should help ease concerns about greenwashing specifically.

Retail investors emphasize the importance of transparency and accuracy of disclosure requirements in addressing their greenwashing concerns, as well as new and emerging applications of AI in investment decision-making. All actors in the responsible investment space have a role to play in reducing concern in these areas, which will help to increase the trust and credibility in RI and its potential for growth in the retail market.