Responsible Investment Association

2022 RIA INVESTOR OPINION SURVEY

CANADIAN INVESTOR PERSPECTIVES ON RESPONSIBLE INVESTING, BIODIVERSITY & GREENWASHING

PARTNERS

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FOREWORD FROM THE RIA'S CEO

I am pleased to share with you the results of the RIA's 2022 Investor Opinion Survey, our seventh annual survey of Canadian individual investors' perspectives on responsible investment (RI).

In this year's report, we see several themes that are consistent with previous years:

- Overall, individual investors continue to show high interest in RI while their knowledge levels on the topic remain low;
- RI ownership has remained steady over the last three years with about one-third of respondents saying they currently own a responsible investment;
- Respondents look to their financial advisors to provide them with information about RI products that align with their values, but less than one-third say they have had that conversation with their advisor.

Financial advisors are ideally positioned to help inform their clients about RI, by starting the conversation and asking about their clients' ESG preferences and values. In turn, these conversations will help bridge the RI service gap that is likely impeding greater adoption of RI among individual investors. We believe that education for financial professionals about RI is absolutely vital to see more progress in this regard. The RIA's commitment to RI education remains a strategic priority and we are proud that to date, over 3,500 financial professionals have either earned or are in line to earn one of the RIA's RI credentials.

This year's biodiversity theme resonated with respondents, with two-thirds finding it "very important" or "somewhat important" for companies in their portfolios to be committed to preventing the loss of biodiversity in the way they conduct their business. While the finance industry works towards aligning capital with climate goals, we must also be cognizant of the complementary goals of preserving and restoring biodiversity. This reflects important industry developments, including the adoption of the Kunming-Montreal Global Biodiversity Framework.

However, concerns over greenwashing are pervasive and present a real challenge for the industry to overcome. As I noted in my Foreword to the 2022 Canadian RI Trends Report, the future growth of RI will be characterized by greater transparency, standardization, and integrity. These elements are necessary to maintain credibility and mobilize retail investors' capital toward responsible investments. The RIA looks forward to continuing to engage with investors, policymakers, regulators, and other industry stakeholders as we pursue our mission to advance RI standards and practices in Canada.

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

Sincerely,

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

MESSAGE FROM AGF

Judy G. Goldring
LL.B, LL.D, ICD.D

President and Head of Global Distribution
AGF Management Ltd

AGF is proud to be a Sustaining Member of the RIA and, with our long tenure in sustainable investing, we're pleased to support its important research on investors' evolving attitudes toward responsible investing (RI) and related issues.

The RIA's annual Investor Opinion Survey continues to inspire dialogue about RI, while covering timely topics like biodiversity and greenwashing.

But the findings we're most encouraged by focus on investor attitudes around RI interest and impact. Specifically, the Survey found two-thirds of respondents (64%) are interested in responsible investments that incorporate environmental, social and governance (ESG) issues, while three-in-four (76%) agree responsible investment can have a real impact on the economy and contribute to positive change for society.

This supports continued positive momentum in our industry. And as a leader in the development of sustainable investing, we are committed to doing our part by ensuring the advisors we work with continue to have the resources and tools they need to engage in informed discussions with their clients while also offering access to sustainable investing products.

At the same time, AGF remains committed to applying forward-thinking practices related to ESG factors not just in our approach to sustainable investing, but also in establishing strategic priorities for the firm to benefit all our stakeholders.

MESSAGE FROM DESJARDINS

Éric Landry

Vice President, Investment Solutions
Desjardins Group

Once again, the 2022 RIA survey confirms the growing interest by investors for responsible investing (RI): most of them are interested in RI and report an increase of their assets in these types of investments. More than 76% believe that RI can contribute to positive changes in society!

Along with this enthusiasm comes challenges: while 73% of investors want their advisors to talk to them about RI, only 31% have been offered this option. Addressing the topic could help close the gap in their RI knowledge, which remains low: 70% say they know little to nothing about RI. As for advisors, they mention concerns about greenwashing and lack of knowledge as the main barriers to starting the conversation.

In response to this issue, we are increasing our efforts to educate advisors to help them meet their investors' aspirations for a conversation about RI. We are also working towards alleviating concerns about greenwashing through continuous efforts devoted to the quality and transparency of the information we provide, including greenwashing prevention training for all of our colleagues involved in RI. We hope this will help reduce advisors' concerns and facilitate a more fruitful conversation.

We are pleased to be co-sponsoring this survey once again, as it provides insights essential to guiding our actions on RI. We hope you will share our point of view. Enjoy the read!

METHODOLOGY

This report is based on findings from an Ipsos poll conducted for the Responsible Investment Association from November 2nd to November 8th, 2022. For the survey, a sample of 1,005 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 were weighted to the Canadian population by region, gender, age, and education. In this year's survey, we adjusted the gender categories 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 2022 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 seventh annual survey of individual investors and is based on data from 1,005 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, and reveals investors' perspectives on biodiversity loss along with their expectations of companies to manage that risk.

ACKNOWLEDGEMENTS

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

AGF
Partner

Desjardins
Partner

Project Director

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

Translation

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

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 $42 trillion in assets. Learn more at www.riacanada.ca.

RELATED RESEARCH & PUBLICATIONS

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 2022 RIA Investor Opinion Survey examines Canadian individual investors' perspectives on responsible investing (RI), which incorporates environmental, social, and governance (ESG) factors into investment decisions.

The RIA commissioned Ipsos to collect data from 1,005 individual investors via an online survey. This year's results confirm that most investors are interested in RI and RI ownership rates have remained steady over the past several years. But the vast majority of investors still don't consider themselves knowledgeable about RI and would like their financial services provider to inform them about RI options that align with their values. Remarkably, less than one-third of respondents said they have had that conversation with their advisor. This "RI service gap" has been persistent, and narrowed only slightly over the last year.

The past year saw the potential to change advisors' conversations with their clients to better understand their ESG/RI preferences. In particular, IIROC updated its guidance to dealer members as of December 31, 2021, which clarified that a client's ESG preferences or personal values may be considered as part of their investment objectives and help guide the advisor's recommendation of suitable investment options. Despite these recent changes, we have yet to see the needle move significantly on RI ownership among retail investors.

This presents a missed opportunity, as retail investors, when asked, express concern about ESG issues, and would like to see them addressed in their portfolios. In the lead-up to the United Nations Biodiversity Conference (COP15) in Montréal in December 2022, the RIA sought to understand Canadian individual investors' views about biodiversity loss, and their expectations for companies to manage biodiversity risk. Most respondents said they were concerned about biodiversity loss, and that it was important for companies in their portfolios to commit to preventing it.

Greenwashing came to the forefront in 2022. Highly publicized investigations around misleading ESG claims made headlines, and a partisan political backlash against ESG (largely in the US) emerged. In previous RIA studies, financial advisors and institutional investors alike have cited significant concern over greenwashing in the investment industry. This report shows that individual investors share those worries. Still, most respondents believe that RI can have a real impact on the economy and contribute to positive change for society.

With these insights, financial professionals can add value to their client relationships by starting the conversation about their client's ESG preferences or values when it comes to investing, educating them about ESG topics, and introducing them to suitable RI fund options. Education and greater clarity around RI definitions, together with investor-friendly disclosures for ESG funds and supported by actions from governments, regulators, and standard-setters to alleviate greenwashing concerns - all will help inform the public conversation about RI, and clear the way for greater adoption amongst retail investors.

KEY FINDINGS

Investors are interested in RI, but knowledge and ownership are lagging behind

- Most respondents are interested in RI, with 64% expressing interest. Younger respondents generally are more interested than those aged 55+, while female respondents are more interested than their male counterparts.
- 70% of respondents know little or nothing about RI, including one-quarter that have never heard of it. Levels of RI knowledge have flattened off in the past 2 years.
- The rate of ownership of RI has remained steady over the last 3 surveys, with about one-third of respondents saying they currently own responsible investments.
- Looking ahead, 40% of respondents said they were now more likely to choose RI than one year ago, while 44% said they were neither more nor less likely than one year ago.
- 76% of respondents either strongly or somewhat agreed that RI can have a real impact on the economy and contribute to positive change for society.

The "RI service gap" persists

- Most respondents (73%) would like their financial services provider to inform them about ESG/RI options that are aligned with their values.
- However, only 31% of respondents said their financial services provider had ever broached the subject. This proportion has inched ahead compared to last year (27% of respondents) - despite updated regulatory guidance encouraging financial advisors to collect information from their clients about their investment objectives relating to ESG or the client's other personal values.

Most respondents want companies to address biodiversity loss, but have concerns about greenwashing

- The topic of biodiversity loss resonated with respondents. The majority of respondents were concerned about biodiversity loss, with 74% of respondents saying they were either very or somewhat concerned. Additionally, 68% of respondents agreed that it was either very or somewhat important that companies are committed to preventing biodiversity loss.
- Investors are concerned about greenwashing in the investment industry. 75% of respondents said they were either very or somewhat concerned about greenwashing, similar to the level expressed in 2021. Meanwhile, 78% of respondents either strongly or somewhat agreed that there needs to be increased regulation and scrutiny in the investment industry to combat greenwashing.

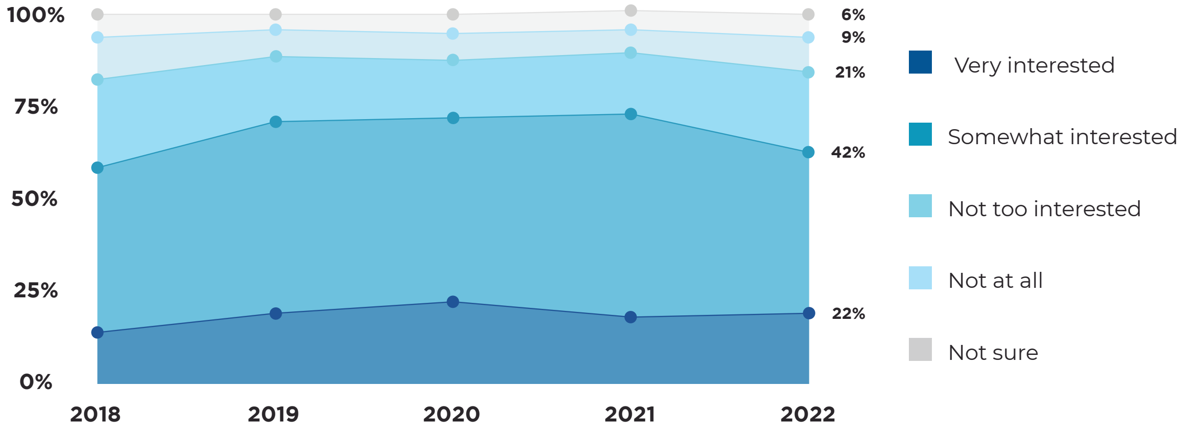
INVESTORS INTERESTED, BUT LACK KNOWLEDGE ABOUT RI

In this year's survey, most respondents are interested in RI, with 64% either very (22%) or somewhat interested (42%). Interest in RI has fallen since 2021 when 73% stated they were very or somewhat interested in RI. In comparison, interest increased strongly between 2018 (60% of respondents expressed interest) and 2020 (72% of respondents) **(Figure 1)**.

The market environment was generally unfavourable in 2022. Broad underperformance of RI funds relative to their conventional fund counterparts during the market downturn, investors' concerns about greenwashing (further explored below), and a partisan political backlash against ESG (largely in the US) may have caused some investors to moderate their interest in RI.

FIGURE • 1

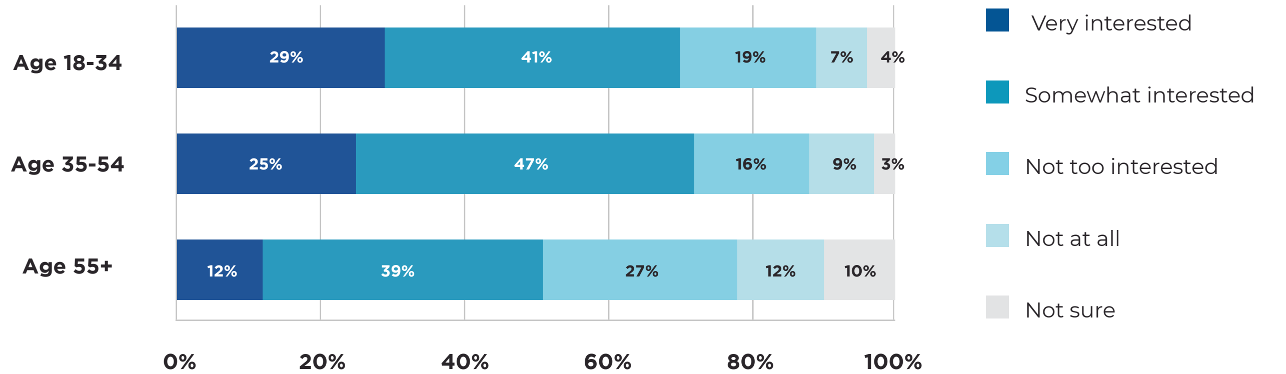
To what extent are you interested in responsible investments that incorporate environmental, social and governance factors?



Similar to previous years, younger respondents are generally more interested in RI than older ones. Most respondents aged 18-34 showed interest in RI, with 71% who were either very or somewhat interested. Of the respondents aged 35-54, 72% were either very or somewhat interested while 51% of the respondents over the age of 55 or older expressed that level of interest **(Figure 2)**.

FIGURE • 2

Extent of interest in responsibleinvestments by age group

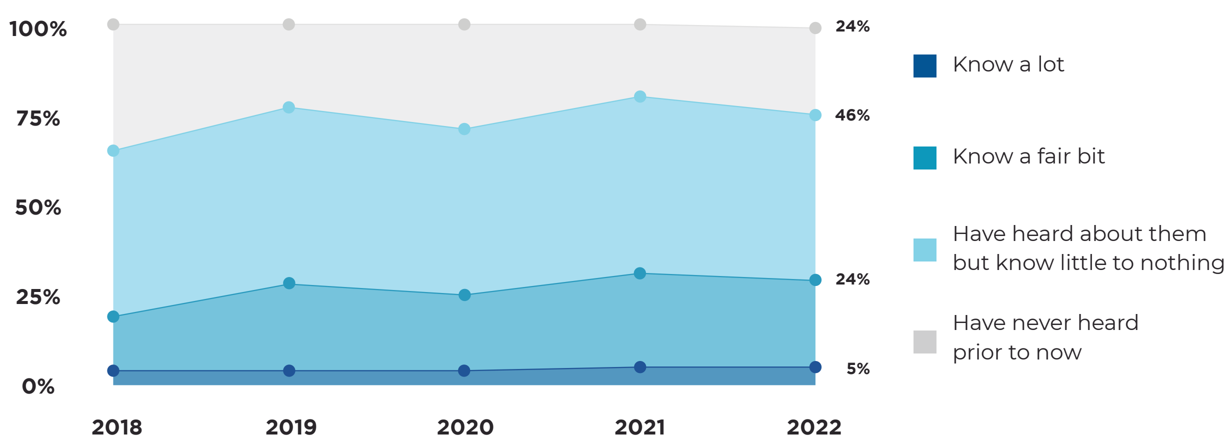


Females expressed higher interest in RI with 67% of female respondents saying they were very or somewhat interested, compared to 61% of male respondents. Household composition also affects interest in RI, as respondents with kids are more likely to be interested in RI than respondents without kids (75% vs. 60%, respectively, are very to somewhat interested).

> **Despite overall high levels of interest in RI, the survey results indicate that the majority of investors still lack knowledge about RI.**

FIGURE • 3

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



This year, 70% of respondents said they know little or nothing about RI, a similar level as was reported in 2021 (when 69% knew little or nothing about RI) and a marked improvement from 2018 when 81% of respondents claimed they knew little or nothing about RI **(Figure 3)**.

There is a notable gender difference in reported RI knowledge levels, with women more likely to report lower familiarity. Among the male respondents, 34% reported knowing a lot or a fair bit, compared to 25% of the female respondents.

There continues to be a significant differentiation in reported RI knowledge by age group. RI knowledge levels among the 55+ group remained consistent with last year, with 25% saying they know a fair bit or a lot. In comparison, knowledge levels are higher among the age 35-54 group (32% saying they know a fair bit or a lot) and the 18-34 group (31% saying they know a fair bit or a lot).

As we have noted in previous years' reports, Canadians' general investment knowledge is low[1] and responsible investment layers on additional complexity. There is an opportunity for advisors to become better educated about RI so that they in turn can fill their clients' knowledge gaps. This may help advisors to enhance client engagement by aligning their services with their clients' interest in RI.

1 "2020 CSA Investor Index." *Canadian Securities Administrators,* 2020.

MIND THE RI SERVICE GAP

Corresponding to respondents' high levels of reported interest in RI, the majority of respondents (73%) somewhat or strongly agreed that they would like their financial services provider to inform them about responsible investments that are aligned with their values **(Figure 4)**. This desire to be informed has remained consistent over recent years, with 77% responding in this way in 2021 and 75% in 2020.

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."

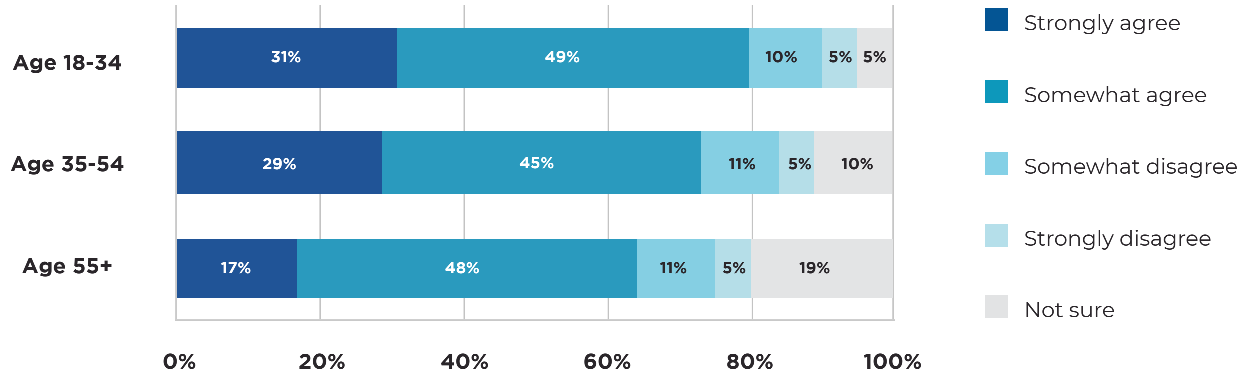
Strongly agree	**25%**
Somewhat agree	**47%**
Somewhat disagree	**11%**
Strongly disagree	**5%**
Not sure	**11%**

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

By age group, the desire to be informed about RI was highest among younger respondents: 80% of respondents aged 18-34 strongly or somewhat agreed they would like to be informed, as did 74% of those aged 35-54. A majority 65% of respondents aged 55+ strongly or somewhat agreed that they would like to be informed about RI options by their financial services provider **(Figure 5)**.

FIGURE • 5

Agreement that respondents would like their financial advisor or institution to inform them about RI by age group

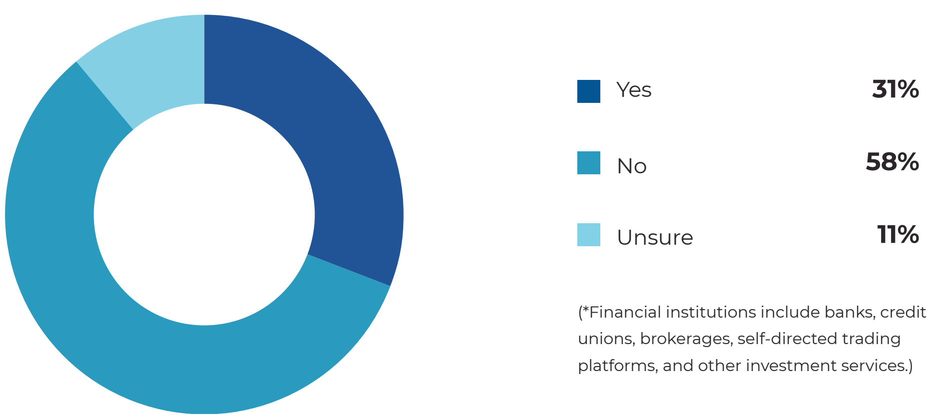


Female respondents were more likely to want their financial advisor or institution to inform them about RI than their male counterparts (76% and 69%, respectively, strongly or somewhat agreed with the statement).

Investors want to know more about RI, but advisors aren't often asking their clients if they're interested in adding responsible investments to their portfolios. In fact, only 31% of respondents stated that they had ever been asked if they are interested in responsible investments that are aligned with their values **(Figure 6)**. This is moderately ahead of last year's result, when 27% of respondents reported their financial advisor had gauged their interest in RI.

FIGURE • 6

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

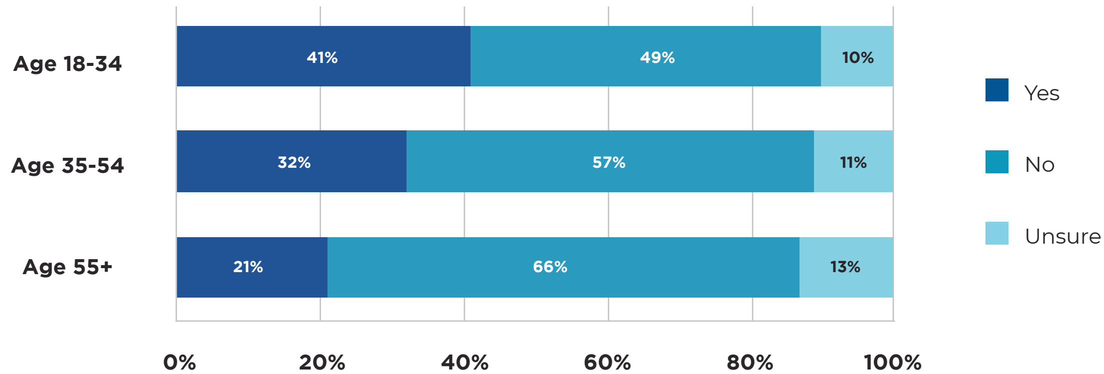


(*Financial institutions include banks, credit unions, brokerages, self-directed trading platforms, and other investment services.)

Males are still being asked this question predominantly more than females: 36% of males answered yes to this question while 26% of females answered yes. It also appears that advisors and institutions focus more on younger clients when they ask about interest in RI. Among respondents aged 18-34, 41% said they had been asked this question, compared to 32% of respondents aged 35-54 and 21% of respondents aged 55+ **(Figure 7)**. Household composition appears to influence the likelihood of being asked about interest in RI: 40% of respondents with kids have been asked compared to 27% of respondents with no children.

FIGURE • 7

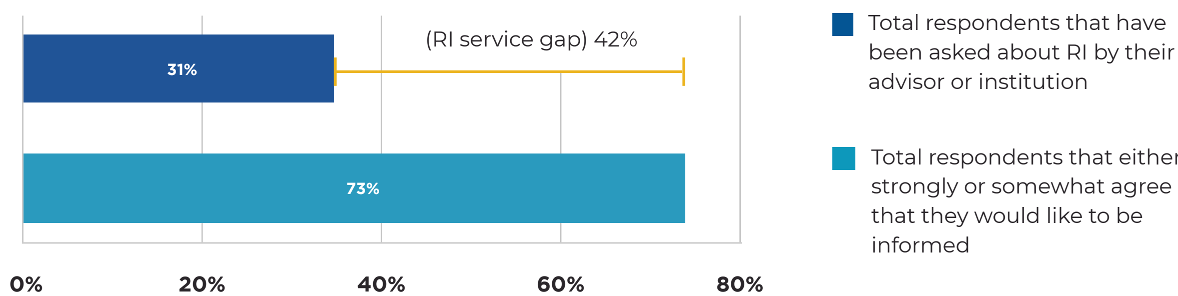
Percentage of respondents who have been asked if they are interested in responsible investments that are aligned with their values, by age group



While advisors seem to be increasingly gauging their clients' interest in RI year by year, there still remains an untapped opportunity as the majority of respondents are not having this conversation with their advisor. Overall, 73% of respondents expressed a desire to be informed about RI, but only 31% said that their advisor has gauged their interest. The difference, which we call the "RI service gap", means a significant proportion (42%) of respondents who are interested in RI are not receiving the services they want **(Figure 8)**. The gap was 50% in 2021, showing some narrowing of the RI service gap in the past year.

FIGURE • 8

RI Service Gap



It's clear that the more RI knowledge an advisor has, the better positioned they are to serve their clients' ESG-related needs and narrow the RI service gap. 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 seem more inclined to wait for their clients to take the lead.[2] Many advisors have made efforts to improve their RI knowledge in recent years. For instance, to date, more than 3,500 financial professionals had either earned or were in line to earn one of the RIA's RI credentials.

Filling the service gap presents a large business opportunity for advisors, to engage their clients in discussions about their ESG/RI preferences, educate them about ESG topics and RI strategies, and recommend suitable investment options.

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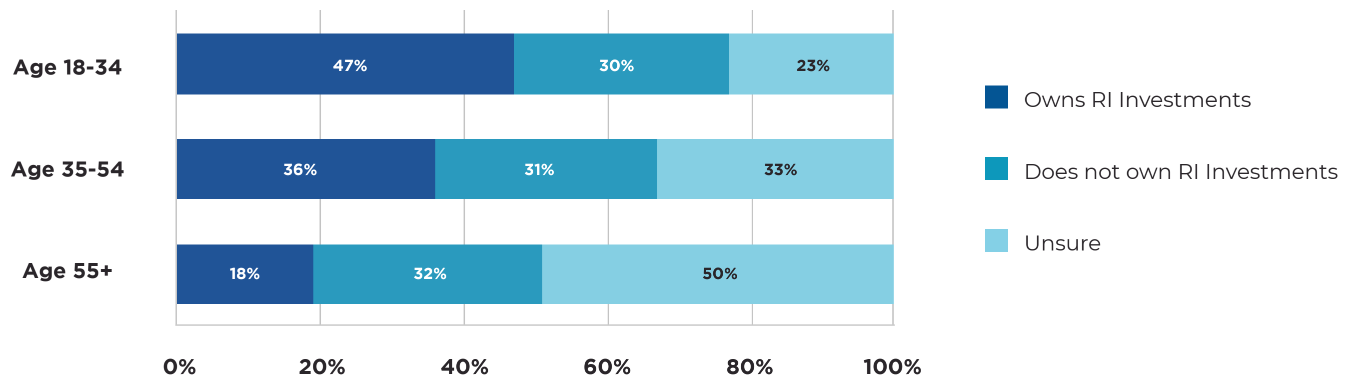
2 "2021 RIA Advisor Opinion Survey." *Responsible Investment Association,* 2022. Accessed 9 December 2022.

RI OWNERSHIP REMAINS STEADY

Reported RI ownership has remained relatively unchanged over the past three years (2020-2022). Overall, one-third (33%) of respondents this year said they own responsible investments that incorporate ESG factors, compared to 31% in 2021 and 33% in 2020.

FIGURE • 9

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



Each year we see a significant proportion of respondents who say they are not sure if they own responsible investments (36% in 2022 and 33% in 2021). 30% of males were unsure compared to 41% of females who were unsure, consistent with the respondents' overall reported lack of RI knowledge.

As shown in **Figure 9**, younger respondents continue to be the biggest owners of responsible investments. Almost half (47%) of respondents aged 18-34 own RI. This year saw an uptick in RI ownership among the 35-54 year demographic, with 36% holding RI compared to 28% of respondents in 2021. Meanwhile, among respondents over the age of 55, just 18% hold RI.

It is not surprising that younger people are the highest percentage owners of responsible investments given to their higher interest and that they are being targeted the most by advisors.

According to the RIA's most recent assessment of the size of the RI market in Canada, total reported RI assets were $3.0 trillion at the end of 2021.[3] Retail RI mutual fund and ETF assets stood at approximately $33 billion[4], representing a small fraction of the total RI market.

Fund companies have continued to launch retail RI products (including mutual funds and ETFs). According to Morningstar, there were 73 Canadian-domiciled investment products launched in 2021; in the first nine months of 2022, 44 new RI funds were introduced.[5]

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

3 "2022 Canadian RI Trends Report." *Responsible Investment Association,* 2022. Accessed 9 December 2022.

4 "RI Funds report Q1 2022." *Responsible Investment Association,* 2022.

5 "Canadian Responsibe Investment Funds Report: Highlights from Q3 2022." *Responsible Investment Association,* 2022. Accessed 20 December 2022

RESPONSIBLE INVESTMENT IN A VOLATILE WORLD

The world is currently facing multiple geopolitical and economic concerns, including the war in Ukraine, energy and food insecurity, as well as rising inflation and interest rates, amid a continuing health crisis brought about by the COVID-19 pandemic. At the same time, the environment continues to be threatened by climate change and biodiversity loss, and social issues like the need for acknowledgement of Indigenous rights and reconciliation persist.

Against this backdrop, we asked survey respondents if the current volatile environment is affecting their likelihood to choose responsible investments, compared to one year ago. Of all respondents, 40% said they were more likely to choose RI than they were one year ago, and 44% said they were neither more nor less likely than one year ago. Just 5% said they were less likely than one year ago, and 12% were unsure, as shown below in **Figure 10**. Gender, household composition, age, and education levels were all factors in being more likely than a year ago to choose RI.

FIGURE • 10

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

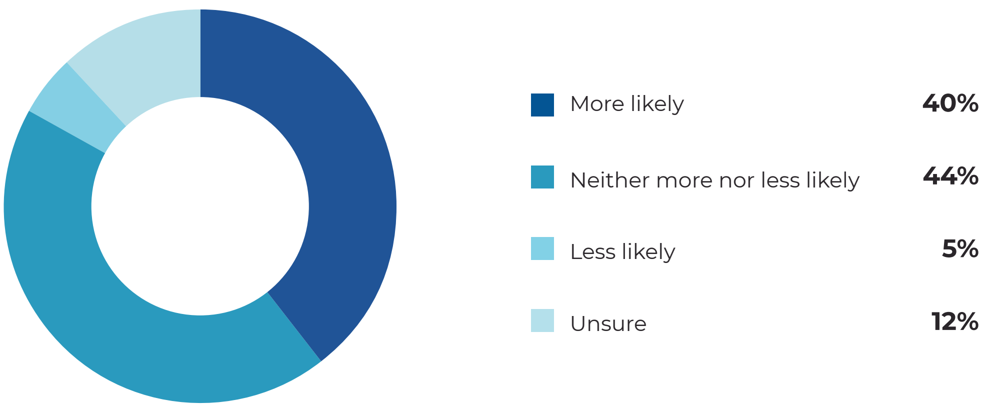
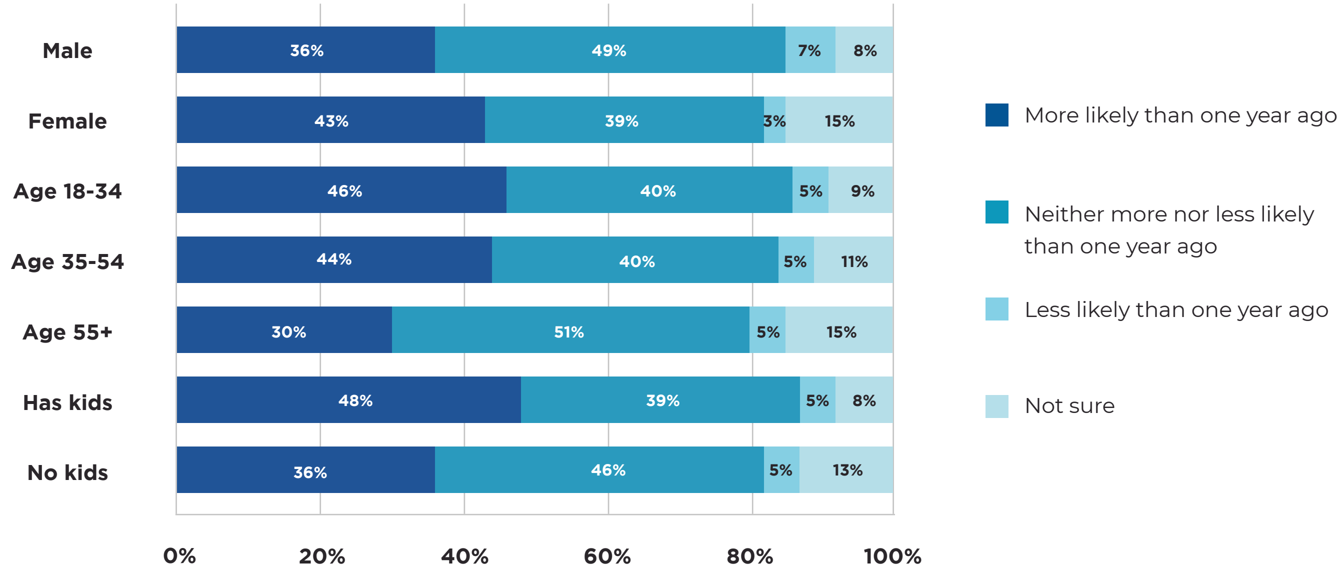


FIGURE • 11

Likelihood to choose RI compared to one year ago



Female respondents said they were more likely to choose RI this year compared to male respondents (43% vs. 36% respectively). There was more ambivalence amongst male respondents, with 49% saying they were neither more nor less likely compared to 39% of female respondents. In addition, 48% of those with kids said they were more likely to choose RI this year, compared to 36% with no kids **(Figure 11)**.

Among the different age groups, younger respondents indicated they had a higher likelihood of choosing RI this year compared to one year ago. Of respondents between ages 18-34, 46% said they were more likely to choose RI, compared to 44% of respondents between ages 35-54 and 30% of respondents over the age of 55 who said they were more likely to choose RI this year compared to one year ago.

IN FOCUS: BIODIVERSITY

Biodiversity, or biological diversity, generally refers to the variety of all living things on Earth. Biodiversity includes the count of species in an area, the genetic variety within each species and the variety of ecosystems that species create.

Biodiversity is increasingly under threat. Globally, we have experienced an average 69% decline in global populations of mammals, fish, birds, reptiles, and amphibians over the last fifty years.[6] In Canada, about 20% of wild species face some risk of elimination in the wild.[7] Biodiversity loss is largely attributed to human actions including land and sea use changes, over-harvesting, pollution, and climate change. In the future, climate change is expected to become the dominant driver of biodiversity loss; meanwhile, the degradation of nature also worsens the climate crisis.[8] Biodiversity and climate change are often described as two sides of the same coin.

Beyond its environmental impact, biodiversity loss has economic implications. More than half of the world's GDP is moderately or highly dependent on nature.[9] According to the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) "nature-related risks, including those associated with biodiversity loss, could have significant macroeconomic implications, and… failure to account for, mitigate, and adapt to these implications is a source of risks for individual financial institutions as well as for financial stability."[10]

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6 "Living Planet Report 2022 – Building a nature positive society." *WWF- World Wide Fund For Nature*, 2022.

7 Canadian Endangered Species Conservation Council. "Wild Species 2020: The General Status of Species in Canada." 2022. National General Status Working Group.

8 IPBES (2019): Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. E. S. Brondizio, J. Settele, S. Díaz, and H. T. Ngo (editors). IPBES secretariat, Bonn, Germany. 1148 pages.

9 "Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy." *World Economic Forum*, 2020.

10 "Statement on Nature-related Financial Risks." *NGFS- Network of Central Banks and Supervisors for Greening the Financial System*, 2022.

The continued loss of biodiversity and degradation of natural assets, combined with projected changes in climate, also threatens to undermine the achievement of many of the Sustainable Development Goals, particularly poverty alleviation, food, water and energy security, and human health.[11]

Alongside the consideration of the investment implications of biodiversity risks, there are also nature-positive investment opportunities. "Nature-based solutions" (NBS) are actions and policies that use nature's resources to protect and restore ecosystems. It's an approach to agriculture, forestry and land management that preserves woodlands, peat and grasslands, aquatic systems and working lands used to grow crops or rear livestock. NBS can be deployed to protect and restore the natural environment, and tackle the twin threats of climate change and biodiversity loss.[12]

COP15 & TNFD

At the time of writing, parties to the United Nations Convention on Biological Diversity are gathering in Montréal to negotiate the Post-2020 Global Biodiversity Framework (GBF), with the aim of protecting nature and halting biodiversity loss around the world. Some commentators have referred to this COP15 as the "Paris moment for biodiversity", drawing a parallel to the importance and prominence given to climate change since the signing of the Paris Agreement.

Of specific relevance for investors, the GBF is expected to include targets specifically aimed at financial institutions and companies, including a target for all businesses to assess and report on their dependencies and impacts on biodiversity, while reducing negative impacts and increasing positive impacts. Currently, sufficient information isn't available for investors to understand what nature-related risks or opportunities a business might be exposed to. The Task Force on Nature-related Financial Disclosures (TNFD) aims to fill that information gap by developing a risk management and disclosure framework for organizations to report and act on nature-related risks, which is expected to be released in 2023.

11 IPBES (2019): Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. E. S. Brondizio, J. Settele, S. Díaz, and H. T. Ngo (editors). IPBES secretariat, Bonn, Germany. 1148 pages.

12 Wood, Johnny. "What are nature-based solutions and how can we finance them?" *UNFCCC- United Nations Framework Convention On Climate Change*, 2022

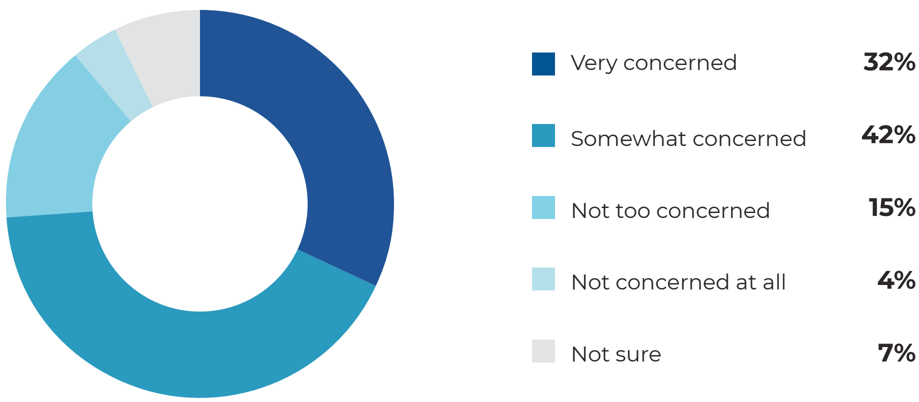
Biodiversity Loss Concerns Investors

In this context, we asked respondents for their views on biodiversity loss, and whether they want investment managers to address biodiversity loss in their portfolios.

We asked survey respondents about the extent to which they are concerned about the loss of biodiversity. The majority of respondents expressed concern, with 74% of respondents saying they were either very concerned or somewhat concerned about biodiversity loss, while only 4% stated they were “not concerned at all” **(Figure 12)**.

FIGURE • 12

To what extent are you concerned about the loss of biodiversity?



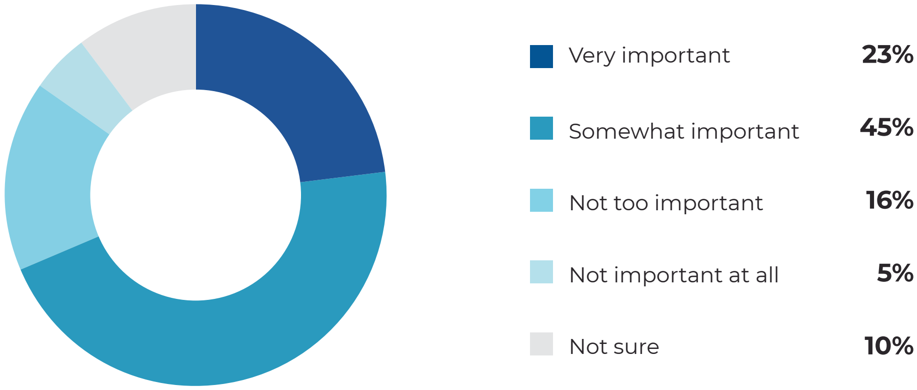
Education level and age demographics had a significant impact on the results. Higher levels of education corresponded to more concern about biodiversity loss, with 83% of respondents with a university degree expressing concern, compared to 60% of respondents with high school or less education, and 69% of respondents with some post-secondary education. Younger respondents tended to express more concern about biodiversity loss than their older counterparts. Among respondents in the 55+ age group, 69% expressed concern compared to 76% in the 35-54 age group, and 77% of respondents aged 18-34.

Gender appears to have a moderate influence on responses to this question, as 77% of women reported being very/somewhat concerned about biodiversity loss compared to 71% of men.

> **Given this high level of concern about biodiversity loss, it was not surprising to see that most respondents felt it is important that the companies they are investing in are being managed to prevent biodiversity loss.**

FIGURE • 13

How important is it that the companies in your investment portfolio are committed to preventing the loss of biodiversity in the way they conduct their business?



Overall, about two-thirds (68%) of respondents said that it is very important or somewhat important for companies in their portfolios to be committed to preventing the loss of biodiversity in the way they conduct their business **(Figure 13)**.

Again, we saw that education and age were both factors influencing responses. By education level, 64% of respondents with high school or less education agreed that it was somewhat or very important, 62% of respondents with some post-secondary education agreed, and 75% of respondents with university education agreed. The combined “very important” or “somewhat important” responses were lowest in the age 55+ age group (61%) compared to 72% of respondents between ages 18 and 34 and 73% of respondents between ages 35 and 54.

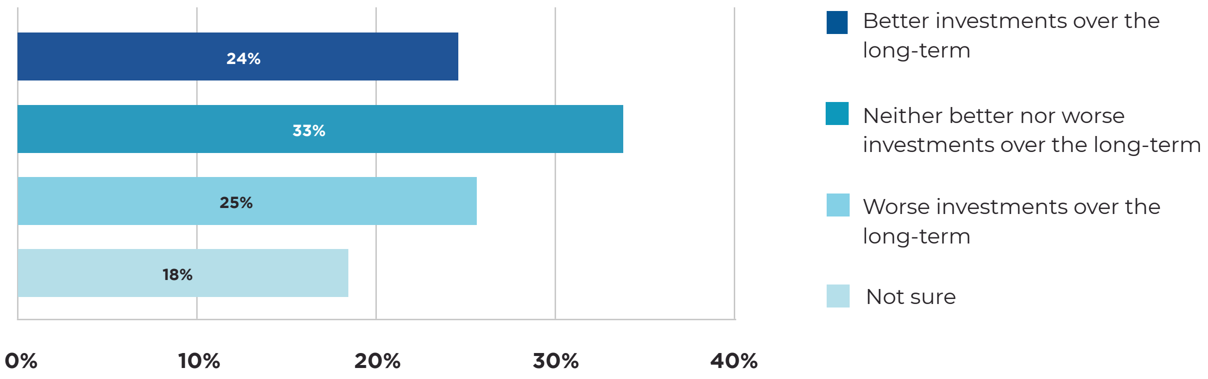
While 72% of female respondents agreed that it was very or somewhat important for companies to be committed to preventing biodiversity loss, 65% of male respondents felt the same. There was also a noticeable disparity between those with and without kids, as 76% of respondents with kids agreed that it was very or somewhat important that companies in their portfolio be committed to preventing the loss of biodiversity in the way they conduct their business, compared to 65% with no kids.

As awareness grows around the importance of halting and reversing biodiversity loss, companies may face stricter regulations, changing consumer preferences, and potential damage to their reputation or brand, if they fail to manage the risks of biodiversity loss, all of which could impact their bottom line.

We asked survey respondents how they felt companies will be financially impacted over the long term, if they do not properly manage biodiversity risk.

FIGURE • 14

Thinking about the next 10 years or longer, how do you feel companies that do not proactively manage the risks of biodiversity loss will be financially impacted, if at all? Companies that do not manage the risks of biodiversity loss will be...



As shown in **Figure 14**, responses to this question were mixed. Of all respondents, 24% said companies that do not proactively manage the risks of biodiversity loss will be better investments over the long term, 33% said neither better nor worse, 25% said worse, and 18% were not sure.

In our initial analysis, these results seemed counterintuitive. We recognize there could have been some confusion caused by the wording of the question. Digging deeper, we found that 32% of respondents who place importance (very or somewhat) on companies in their investment portfolio being committed to preventing the loss of biodiversity, believe companies will be worse off in the future if they do not manage these risks. This is higher than the 25% of the general investor sample who answered 'worse investment'.

WHAT ARE THE RISKS OF BIODIVERSITY LOSS TO THE FINANCIAL SYSTEM?

The NGFS identified how biodiversity loss poses two major risks to the financial system – analogous to the risks of climate change:

Biological risk: Risks associated with the loss of ecosystem services: raw materials; the regulation of climate, water, pollution and disease; recreation; tourism; and human health.

Biodiversity transition risk: Risks associated with the transition to a low biodiversity impact economy. These will potentially alter business practices and investment metrics, leading to the devaluation of some assets.

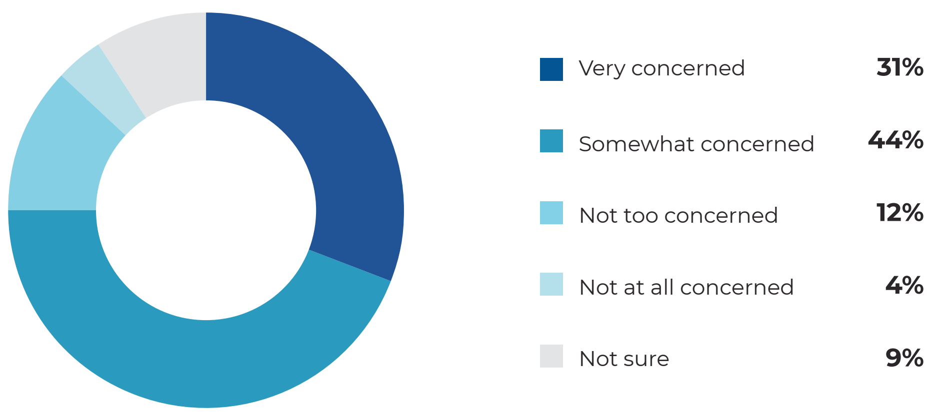
IN FOCUS: GREENWASHING IN THE INVESTMENT INDUSTRY

Investors' concerns about biodiversity loss are accompanied by concerns about greenwashing. As a growing number of companies, governments and investors make ESG-related commitments, stakeholders, including regulators, have been increasing their scrutiny of ESG-related claims. This has resulted in highly publicized investigations into such claims accompanied by real consequences including fines, resignations and the risk of reputational loss.

This has not gone unnoticed by institutional investors or financial intermediaries. Institutional investors ranked "mistrust/concerns about greenwashing" as the top perceived deterrent to the growth of RI (followed by "lack of reliable data", and "lack of legislative/regulatory requirements").[13] Similarly, financial advisors have overwhelmingly noted that they are concerned about greenwashing as it relates to RI, followed by concerns about lack of standards.[14]

FIGURE • 15

How concerned are you about greenwashing in the investment industry?



13 "2022 Canadian Responsible Investment Trends Report." *Responsible Investment Association*, 2022.

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

When asked, “How concerned are you about greenwashing in the investment industry?”, 75% of respondents said they are very concerned (31%) or somewhat concerned (44%), a similar proportion as in our 2021 survey (78%) **(Figure 15)**.

There was little differentiation in responses by gender or age group. However, the level of education plays a strong role in these results. 79% of university graduates expressed concern about greenwashing, compared to 67% of those with high school or less education.[15]

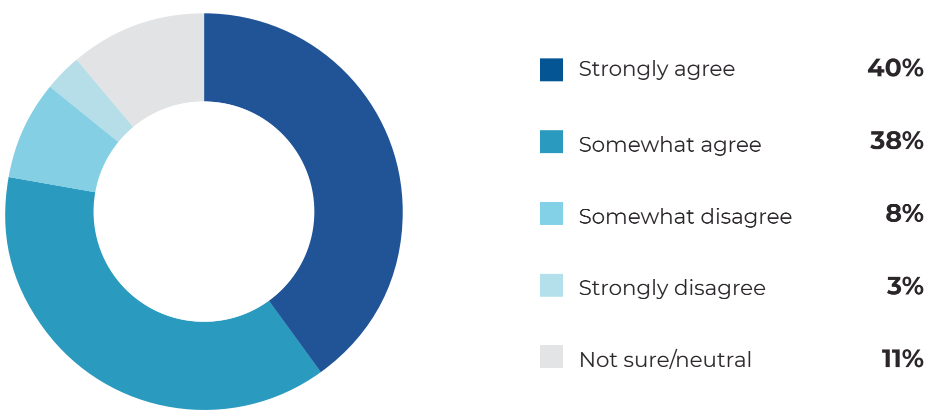
The Role of Regulations

We also asked respondents their views on the role of regulation in the investment industry to combat greenwashing.

The majority of survey respondents, 78%, either strongly or somewhat agreed that there needs to be increased regulation and scrutiny in the investment industry to combat greenwashing **(Figure 16)**. This level of agreement was higher amongst older respondents: 74% of those between 18-34 strongly or somewhat agreed, compared to 78% of those aged 35-54 and 81% of those over the age of 55.

FIGURE • 16

Do you agree or disagree with this statement: “There needs to be increased regulation and scrutiny in the investment industry to combat greenwashing.



Agreement was highest amongst university-educated respondents, as 82% of people with a university education strongly or somewhat agreed with the need for increased regulation and scrutiny, compared to 71% of respondents with high school or less education.

15 For the purpose of the 2022 and 2021 surveys, 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.”

In Canada, we have seen recent developments from regulators intended to reduce the potential for greenwashing, particularly as it relates to investment fund disclosures for retail investors. In January 2022, the Canadian Securities Administrators (CSA) published guidance for investment fund disclosures related to ESG considerations. Considering the growing interest in responsible investments and the number of retail products being launched, the CSA sought to reduce the potential for "greenwashing", whereby a fund's disclosure or marketing intentionally or inadvertently misleads investors about the ESG-related aspects of the fund.[16]

Additionally, in Canada, the Canadian Investment Funds Standard Committee (CIFSC) has published a Responsible Investment (RI) Identification Framework which defines six non-mutually exclusive approaches to RI with the aim to provide clarity for investors who wish to invest in retail investment products (mutual funds and ETFs) with responsible investment strategies.[17] The classification of RI funds under this framework will be implemented in early 2023.

As advisors seek to fill knowledge and service gaps with their clients, it is important to speak openly about greenwashing risks. In many cases, investors' concerns about greenwashing may be related to their low levels of RI knowledge.[18] The increased standardization of disclosures and classifications for responsible investment products may help them to overcome some of their concerns and would appear to be welcome developments from individual investors.

16 "Canadian securities regulators publish guidance on ESG-related investment fund disclosure." *Canadian Securities Administrators*, 2022.

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

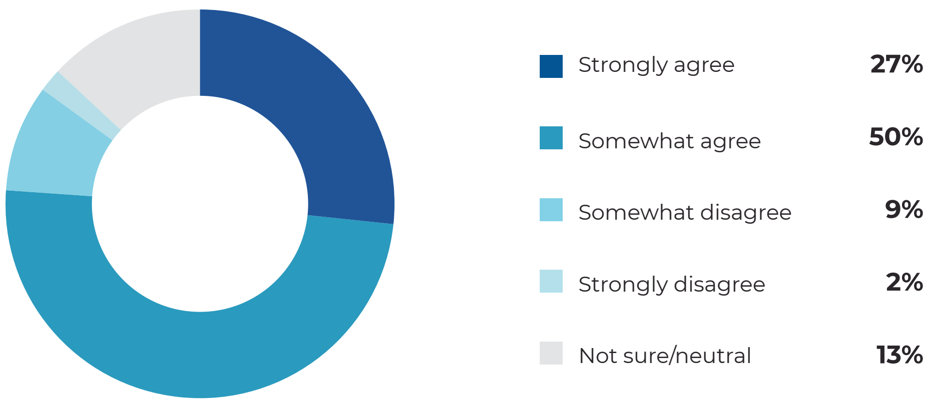
18 Lanz, D. "An advisor's short guide to greenwashing." *Investment Executive*, 2021.

RI AS A MEANS TO POSITIVE CHANGE

Despite concerns about greenwashing, and despite a turbulent market environment, survey respondents view responsible investment as a source of good for the economy and society.

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."



Three-quarters (76%) of respondents either strongly or somewhat agree that RI can have a real impact on the economy and contribute to positive change for society. Only 11% of respondents either strongly or somewhat disagreed **(Figure 17)**.

Agreement was strongest amongst younger respondents. Eighty-one percent (81%) of respondents between ages 18-34 strongly or somewhat agreed with the statement, 77% of respondents between ages 35-54 strongly or somewhat agreed, and 71% of respondents over the age of 55 strongly or somewhat agreed. By education level, 80% of university-educated respondents strongly or somewhat agreed that RI can have a real impact on the economy and contribute to positive change for society, compared to 73% of respondents with less education.

CONCLUSION

Individual investors have spoken - they are interested in responsible investments, and largely agree that RI can impact the real economy and contribute to positive societal change.

In this year's survey, most respondents expressed concern about biodiversity loss and considered it important for companies in their portfolios to commit to preventing it. Individual investors have expressed similar views on other ESG issues in previous studies. We have examined their perspectives on climate change and the environment, the energy transition and net zero plans, diversity and inclusion, and partnering with Indigenous Peoples on a just transition. Consistently, we have found that, when asked, individual investors care about environmental and societal issues and want to see the companies in their portfolios address their concerns to drive positive change.

There remains work to be done to achieve the outcomes that investors want. Survey respondents said they are still not being asked about their ESG preferences or values as often as they would like. To address this RI Service Gap, and provide suitable RI options for their clients, advisors should take their cue from these survey results, and engage more clients in discussions about ESG issues.

At the same time, concern about greenwashing is widespread, which presents challenges for individual investors, their advisors, and fund manufacturers. Survey respondents are looking to the regulators to exercise increased scrutiny over ESG and RI claims going forward. Indeed, all participants in the responsible investment ecosystem have a role to play in alleviating greenwashing concerns, and by doing so, enhancing the credibility and growth potential for RI in the retail market.