Responsible Investment Association

2024 CANADIAN RESPONSIBLE INVESTMENT TRENDS REPORT

Summary Report | November 2024

REPORT PARTNERS

ADDENDA CAPITAL

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MACKENZIE Investments

NEI

RBC Global Asset Management

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ACKNOWLEDGEMENTS

Report Partners

The RIA gratefully acknowledges the following members who have provided financial support for the 2024 Canadian RI Trends Report.

ADDENDA CAPITAL

With more than $40 billion in assets under management, Addenda Capital is recognized as a leader in sustainable investing. From climate transition to impact investing to traditional strategies, the Firm's multi-asset solutions seek to provide enhanced returns for its institutional and private wealth clientele. Co-owned by The Co-operators Group and its employees, Addenda employs over 179 people in its offices in Toronto, Guelph and Regina, with its head office in Montreal. The firm is a signatory of the Net Zero Asset Managers initiative, the United Nations' Principles for Responsible Investment (UN PRI) and its Montréal Carbon Pledge, and is an Investor Member of the Green Bond Principles.

AGF

Founded in 1957, AGF Management Limited (AGF) is an independent and globally diverse asset management firm. Our companies deliver excellence in investing in the public and private markets through three business lines: AGF Investments, AGF Capital Partners and AGF Private Wealth. AGF brings a disciplined approach, focused on incorporating sound, responsible and sustainable corporate practices. The firm's collective investment expertise, driven by its fundamental, quantitative and private investing capabilities, extends globally to a wide range of clients, from financial advisors and their clients to high-net worth and institutional investors including pension plans, corporate plans, sovereign wealth funds, endowments and foundations.Headquartered in Toronto, Canada, AGF has investment operations and client servicing teams on the ground in North America and Europe. AGF serves more than 800,000 investors. AGF trades on the Toronto Stock Exchange under the symbol AGF.B.

MACKENZIE Investments

Mackenzie Investments ("Mackenzie") is a leading investment management firm with $185 billion in assets under management as of October 31st, 2022. Mackenzie provides investment solutions and related services to more than one million retail and institutional clients through multiple distribution channels. Founded in 1967, Mackenzie is a global asset manager with offices across Canada as well as in Boston, Dublin, London, Hong Kong and Beijing. Our 17 distinct investment teams offer expertise across traditional and non-traditional asset classes and cover the spectrum of sustainable investment approaches. We are committed to delivering competitive, long-term risk-adjusted performance with a pledge to uphold the United Nations supported Principles for Responsible Investment (PRI).

ACKNOWLEDGEMENTS

NEI Investments holds over $11 billion in assets under management. NEI adopts a differentiated approach to achieving investment returns for Canadians, leveraging a unique structure that includes a global network of money managers, proprietary investment management and asset allocation and a dedicated responsible investing team. This structure is designed to optimally respond to the dynamics of our changing world, uncover unique investment opportunities, and deliver a broad array of investment outcomes with financial growth at the core. and is part of the asset management arm of Aviso Wealth Inc. ("Aviso"), one of Canada's leading wealth services providers.

RBC Global Asset Management (RBC GAM) is the asset management division of Royal Bank of Canada (RBC). RBC GAM is a provider of global investment management services and solutions to institutional, high-net-worth and individual investors through separate accounts, pooled funds, mutual funds, hedge funds, exchange-traded funds and specialty investment strategies. RBC Funds, BlueBay Funds, PH&N Funds and RBC ETFs are offered by RBC Global Asset Management Inc. (RBC GAM Inc.) and distributed through authorized dealers in Canada. The RBC GAM group of companies, which includes RBC GAM Inc. (including PH&N Institutional) and RBC Indigo Asset Management Inc., manage approximately $660 billion in assets and have approximately 1,600 employees located across Canada, the United States, Europe and Asia.

Research Partner

This study was completed by Environics Research on behalf of the Responsible Investment Association (RIA).

Data Contributor

The Canadian Institutional Investment Network provided data on Canada's investment industry.

FOREWORD FROM THE RIA'S CEO

As we present the 2024 Canadian Responsible Investment Trends Report, we reflect on a pivotal year for responsible investing (RI) in Canada. This report not only charts a remarkable milestone for RI—rising to 71% of total assets under management —but also highlights the increasing maturity and resilience of our industry.

The Trends Report remains the RIA's most requested research, and we are pleased to provide new data and findings. For the third consecutive year, we worked with leading Canadian market research firm Environics to conduct the study and deliver best-in-class analysis and insights. This report was also made possible by the generous support of our partners: Addenda Capital, AGF Management, Mackenzie Investments, NEI Investments and RBC GAM. We are grateful for their continued commitment to the RIA and this important research.

In late 2023, the introduction of unified RI strategy definitions by the Global Sustainable Investment Alliance, CFA Institute and Principles for Responsible Investment, marked a significant step toward consistency in RI terminology. Survey respondents expressed growing confidence in both their own reporting and the overall quality of ESG disclosures – a testament to the successful implementation of updated methodologies and standards. However, our work is far from done. There remains a strong call for more universally accepted standards and frameworks to further strengthen this trust and enhance clarity.

While the growth of RI is encouraging, concerns around perceived performance have surfaced as a notable barrier, alongside greenwashing and regulatory uncertainty. Addressing these complexities will be critical to sustaining the current momentum of RI adoption.

As the landscape continues to evolve, new windows of opportunity are emerging. Retail investors are now recognized as key drivers of growth, together with institutional players and regulators. Financial advisors will play an essential role in connecting investors with responsible investment options. It is incumbent on us to equip them with the necessary knowledge and tools to leverage the potential from rising client demands.

Looking ahead, our collective focus must remain on education, standardization and advocacy. We need to embrace the ongoing changes in our industry and collaborate to mobilize capital in support of Canada's competitiveness and prosperity.

Together, let us harness this momentum to drive meaningful progress, reinforce our commitments and contribute to a more sustainable future.

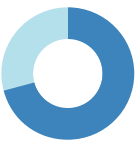
Patricia Fletcher
Chief Executive Officer
Responsible Investment Association

EXECUTIVE SUMMARY

1 **Responsible Investment continued to demonstrate strength in 2023, with notable increases in both RI AUM and market share.**

RI grew in 2023 to a new high of almost

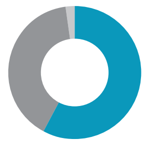
$4.5 trillion



Acheiving a new record market share of

71%

2 **Confidence in reporting continues to build on the higher levels observed last year as a result of updated RI strategy definitions.**



58%

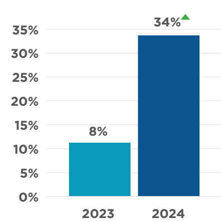
of respondents are **more confident** than last year in overall quality of ESG reporting.

Standardization is needed to further improve confidence and unlock the value that RI brings to investment decision-making.

3 **The top RI growth drivers remain consistent, but younger investors are emerging as a powerful force.**

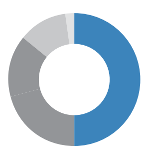
As retail investors are an increasingly important driver of growth, it is critical to educate advisors, who are at the front line in providing RI solutions.

8% of respondents selected **"younger investors/plan members"** as a key driver of RI growth in the 2023 report, rising to **34%** in the 2024 report.



4 **The ranking of key deterrents to RI growth remained similar year over year.**

Concerns about greenwashing, disclosures and data quality subsided, while those related to perceived performance of RI are more pronounced. Despite these obstacles, respondents still **expect moderate growth of RI AUM**.



50%

of respondents
expect moderate growth.

5 **A window of opportunity exists to further strengthen RI in Canada, and this will require collective action and advocacy. Recent definition changes have increased confidence, but more changes and standardization are on the horizon, and the industry must continue to adapt.**

"We believe that disclosure standards are coming and want to ensure we are prepared to disclose in a meaningful way."

- Sustaining Member

"We are building the internal infrastructure and resources to dedicate more effort to our RI activities, including disclosures and active engagements. I suspect our answers will be more complete and stronger next year."

- Non-Profit Member

ABOUT THIS REPORT

The Canadian Responsible Investment Trends Report, published by the Responsible Investment Association (RIA), serves as a tool for monitoring the evolution of responsible investment (RI) practices in Canada. This 2024 report draws on responses gathered from a survey of Canadian institutional asset managers and asset owners, which took place between May 22nd and July 19th, 2024. The previous survey was conducted in 2023.

Clarity and consistency around definitions of RI and its common terms are essential for this research.

This report defines responsible investment as the incorporation of environmental, social and governance (ESG) factors into the selection and management of investments.

It is important to note that RI is a broad term encompassing various strategies and approaches to implementation. This report references terminology and definitions for five RI strategies, based on the Definitions for Responsible Investment Approaches.[1] This approach, which is described in a subsequent section of this report, facilitates comparisons of the Canadian RI market with other regions and over time.

All financial data is reflective of December 31st, 2023. The data collection and analysis were carried out by Environics Research. Over 387 organizations, including investment managers, Canadian asset owners such as pension funds and foundations, and other institutional investors managing assets in Canada, were invited to participate in the survey. This research universe encompasses both RIA members and non-members.

A total of 93 respondents completed the survey, comprising 56 asset managers, 33 asset owners and 4 organizations that self-identified as an asset manager and an asset owner. Survey participation was voluntary, and the data provided by participants was self-reported and not verified. Some reasonability checks were conducted, resulting in minimal adjustments. In addition to the survey, the RIA conducted desktop research using publicly available information for an additional 24 organizations that were unable to take part in the survey. This report does not aim to serve as a comprehensive census. Instead, it provides a reliable baseline against which to measure the growth, development and prospects of the RI industry in Canada.

ABOUT THE RESPONSIBLE INVESTMENT ASSOCIATION (RIA)

The RIA is Canada's investment industry association with a purpose of entrenching responsible investment (RI) in Canada's financial ecosystem. The RIA's membership includes asset managers, asset owners, advisors and service providers. Institutional members collectively manage over $45 trillion in assets globally. Learn more at www.riacanada.ca

1. CFA Institute, Global Sustainable Investment Alliance, and Principles for Responsible Investment. Definitions for Responsible Investment Approaches. 2023, 3-21. https://www.gsi-alliance.org/wp-content/uploads/2023/10/ESG-Terminology-Report_Online.pdf.

CANADIAN RI MARKET CHARACTERISTICS

RI AUM and Market Share

The 2023 investment landscape in Canada was one of economic and stock market resilience. Although inflation moderated during the year, interest rates continued to rise to multi-year highs which contributed to an economic slowdown. However, despite fears of recession and geopolitical tensions, fixed income and equity markets managed to finish the year with modest gains.

Responsible Investments grew in 2023 to a new high of almost $4.5 trillion, representing a market share of 71% **(Figure 1 and Figure 2).** The growth of responsible investments in Canada has been on a steady upward trend. However, it is expected to temper in the coming years, as RI continues to mature, and encapsulate a larger share of the total market **(Figure 3)**.

FIGURE 1
Reported Responsible Investment AUM (CAD billions)

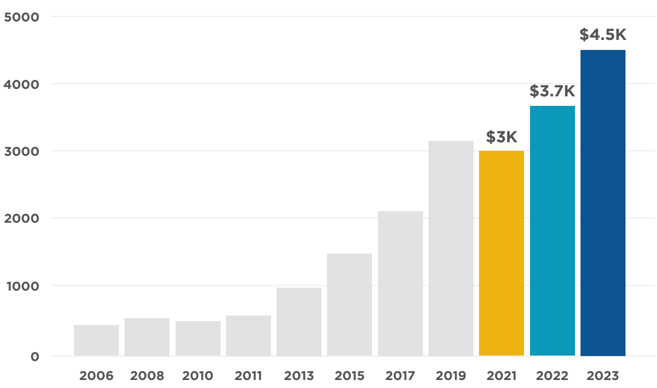
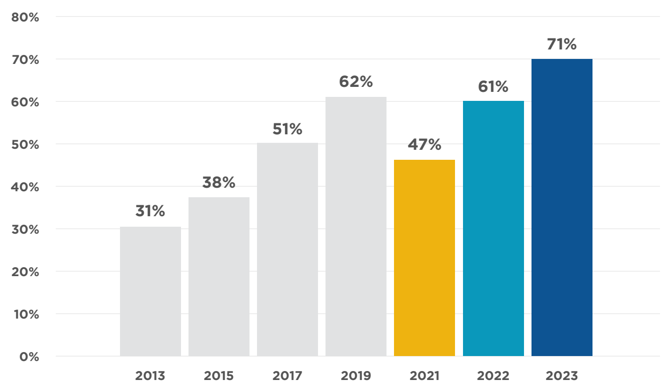
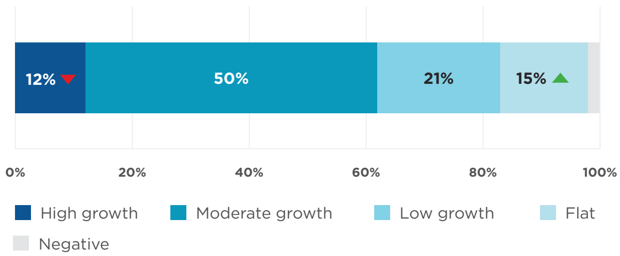


FIGURE 2
Market Share: Proportion of Total AUM in RI



Canadian RI investments are now valued at nearly 4.5 trillion dollars; which reflects a 71% market share.

FIGURE 3
Expected Growth Rate (next two years)



UPDATED 2022 RI AUM

The 2024 RI Trends Survey, which informed this report, provided an opportunity for respondents to validate previous years' AUM totals. In some cases, the new RI strategy definitions provided in the Survey prompted participants to retroactively update their 2022 AUM totals to reflect alignment with the new language. The resulting increase in 2022 AUM was primarily driven by a small number of institutional investors.

Data by RI Strategy

In late-2023, the Global Sustainable Investment Alliance (GSIA), CFA Institute and Principles for Responsible Investment (PRI) issued a new resource for consistency in RI terminology.[2] This was a much-anticipated development, providing unified, comprehensive definitions of RI strategies that can be adopted across the industry to increase consistency, prevent greenwashing and help validate RI claims. The RIA has adopted these updated definitions and the results of this 2024 Canadian RI Trends Report establishes a new baseline for their use.

2023 RI Strategies

ESG integration
Corporate engagement
Negative screening
Thematic investments
Positive screening
Impact investing
Norms-based screening

2024 RI Strategies

ESG integration
Screening
Stewardship
Thematic investing
Impact investing

RI Strategy	Definition	Incidence of Use The percentage of organizations that are using the **RI strategy to any extent** in their investments.	Proportional Use The **percentage of each organization's total RI AUM** that is invested using that strategy.
ESG Integration	Ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns.	94%	91%
Screening	The application of rules based on defined criteria that determine whether an investment is permissible.	84%	71%
Stewardship	The use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend.	72%	86%
Thematic Investing	Selecting assets to access specified trends.	67%	29%
Impact Investing	Investing with the intention to generate a positive, measurable social and/or environmental impact alongside a financial return.	46%	33%

It is important to remember that RI strategies are not mutually exclusive. A single RI fund can (and usually does) use more than one strategy. In addition, each of these strategies can be utilized to various degrees. While these new definitions represent a valuable step toward standardization, there is still a long way to go on the standardization journey.

WHAT RI IS, AND WHAT IT IS NOT

Industry consolidation around definitions and the intentions and impact of the various RI strategies signals to the broader investing universe that responsible investing is about more than just exclusions and is an important building block in creating a more informed public dialogue about what RI is and what it is not.

2. CFA Institute, Global Sustainable Investment Alliance, and Principles for Responsible Investment. Definitions for Responsible Investment Approaches. 2023, 3-21. https://www.gsi-alliance.org/wp-content/uploads/2023/10/ESG-Terminology-Report_Online.pdf.

CONFIDENCE IN REPORTING

Confidence Building

In keeping with last year's study, the 2024 Responsible Investment Trends Report sought to gauge investors' confidence in reporting. Specifically, respondents were asked to rate their confidence in ESG reporting overall, their own organization's reporting of RI, and the reporting of other organizations across Canada. Critically, they are not only more confident in themselves and their peers, but also in the overall quality of ESG reporting, which is a testament to the success of strategy definition changes that have been implemented in the last year **(Figure 4)**.

> "Updated methodology used to capture ESG /RI assets, and the more nuanced wording, allowed us to be comfortable allocating to the ESG integration bucket."
>
> ***- Sustaining Member***

Respondents' confidence in reporting has once again increased over the last year.

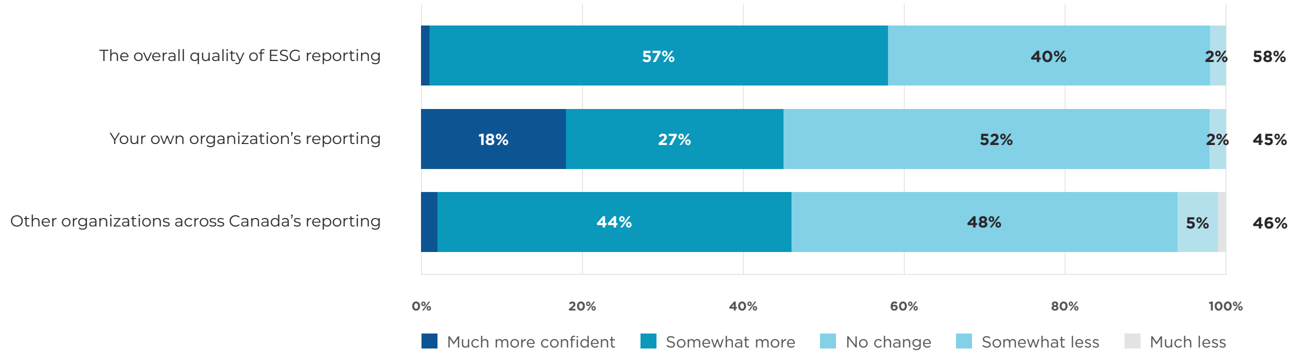
Change is good... but there is still a long way to go

When asked what would further increase their confidence in reporting, respondents noted that more universally accepted frameworks, alongside standardization and auditing of reporting, would be helpful. For the second year in a row, close to 60% of respondents say they are more confident in the overall quality of reporting than they were last year.

> "When these frameworks and standards consolidate into a universally accepted and recognized standard body, I will feel more confident. We would then allocate resources to learn about the application of those standards and evaluate investments accordingly."
>
> ***- Non-Profit Member***

FIGURE 4

Confidence in Reporting of RI AUM and Specific RI Approaches



In each category of ESG reporting that was measured, only 6% of respondents, or fewer, expressed less confidence than last year.

SOLID FOUNDATION

The "Why" and "What" of ESG Is Not Changing

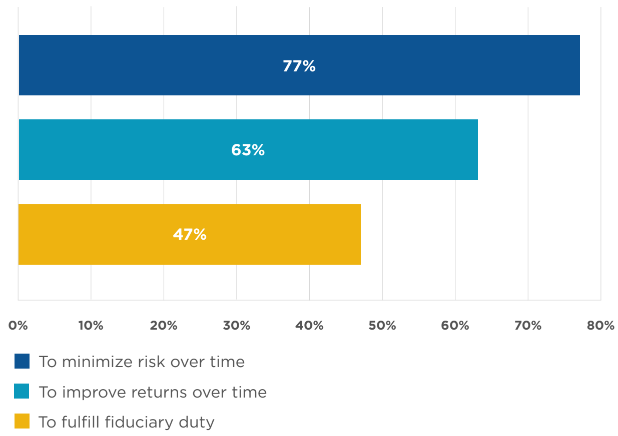
Despite the growth and increased confidence, resulting in a swell in RI AUM this year, the underlying foundation of why we do RI, what we focus on and how we do it has seen very little change.

Why consider ESG factors?

"To minimize risk over time" remains the number one reason why organizations consider ESG factors when making investment decisions. All other reasons remain in the same ranked order as last year **(Figure 5)**.

In addition to minimizing risk over time, improving returns over time and fulfilling fiduciary duty, respondents also say they consider ESG factors to fulfill mission, purpose or values (41%), to meet client/beneficiary demand (35%), to pursue social or environmental impact (28%), to meet legislative/regulatory requirements (4%) and to reward/punish ESG outcomes (6%).

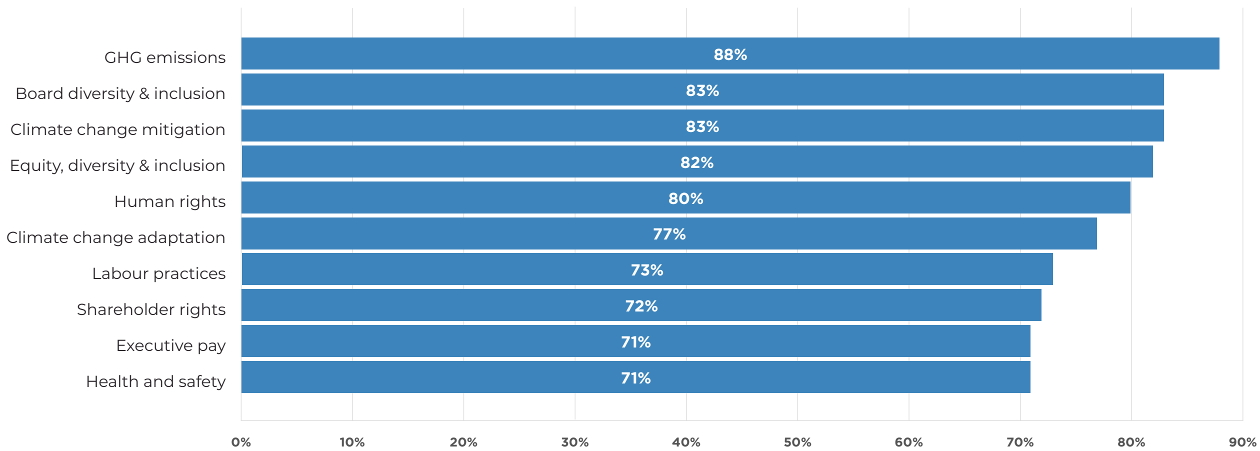
FIGURE 5
Top Three Reasons to Consider ESG Factors



What are the most common ESG factors?

The selection of E, S and G factors considered by organizations in making investment decisions, remain unchanged **(Figure 6)**. The top five factors are weighted towards Environment and Social.

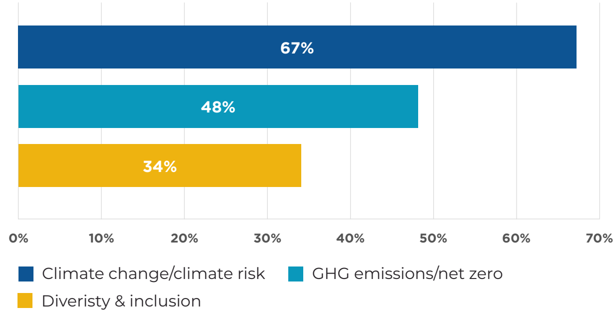
FIGURE 6
Top 10 ESG Factors Considered in Investment Decisions



What issues are most commonly included in stewardship investments?

The top three stewardship issues addressed by RI in 2023 continue to be: climate change/risk, GHG emissions/net zero and diversity and inclusion **(Figure 7)**. However, executive compensation is expected to become much more prominent. 68% of respondents anticipate using it during the next two to five years, up from 42% in last year's report.

FIGURE 7
Top Three Issues Used in Stewardship Programs

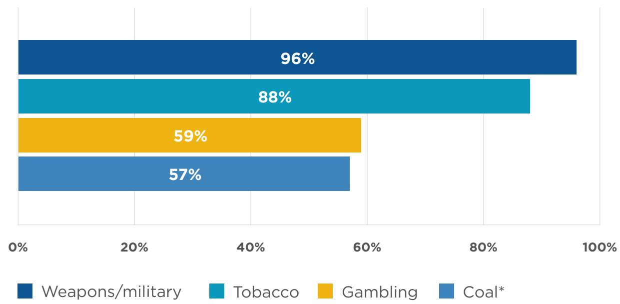


What issues are you using to negatively screen your investments?

Weapons/military, tobacco and gambling are the most common industries to be screened out of funds. The fossil fuel screen was split into coal, oil and energy distribution in the 2024 study, and coal placed 4th in the list, which is used by 47% of organizations that use screening as a strategy for their RI funds **(Figure 8)**.

*in 2024, the fossil fuel category divided into coal, oil, and distribution.
**2024 value calculated as a net of coal, oil and distribution

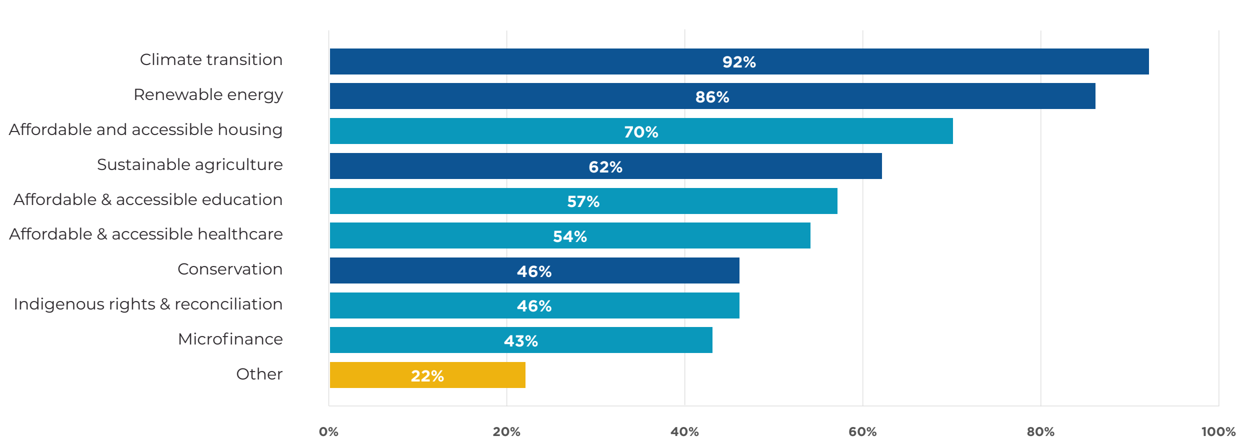
FIGURE 8
Negative Screens Used



Which of these issues are included in your impact investing objectives?

About 80% of institutions who use impact investing as a strategy are seeking to create impact in both social and environmental areas, which is consistent with previous years. Climate transition and renewable energy are the most commonly cited impact areas **(Figure 9)**.

FIGURE 9
Issues in Impact Investing

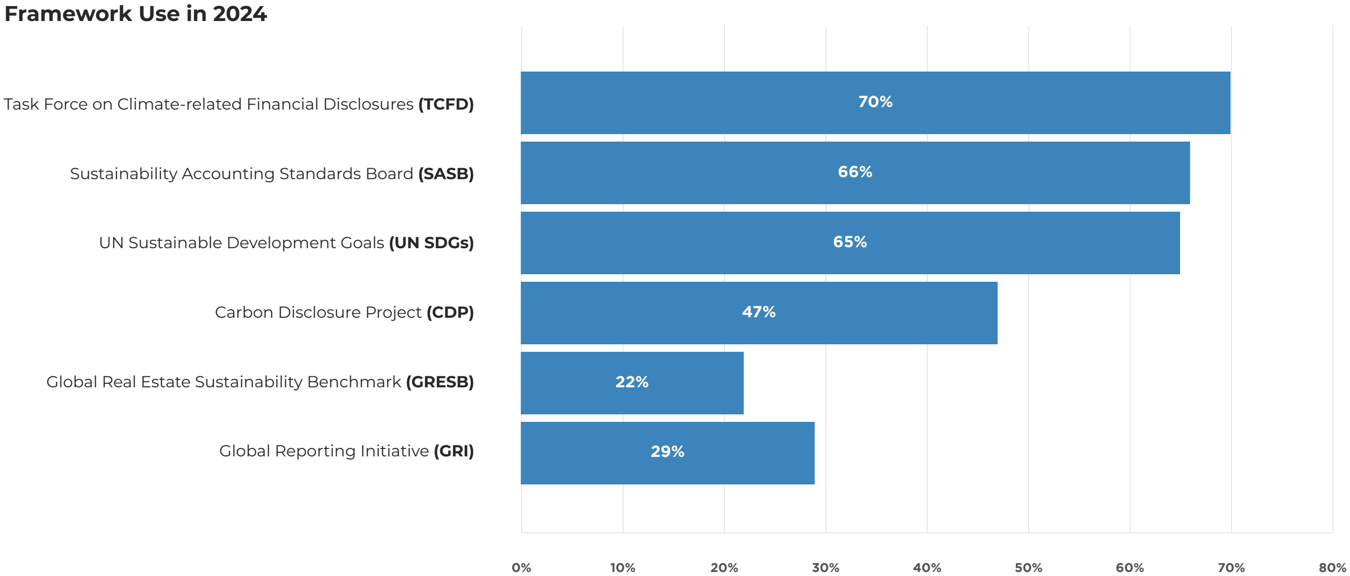


RI PRACTICES

Frameworks, Standards and Norms

Frameworks currently in use are poised for upheaval, and it is just the kind of change the industry has been waiting for **(Figure 10)**. When it comes to corporate reporting, respondents say the frameworks they are currently incorporating into their investment analysis are the Taskforce on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and the UN Sustainable Development Goals (UN SDGs), with 70%, 66% and 65% of respondents respectively. Less pervasive but still seeing moderate use for investment analysis are the Carbon Disclosure Project (CDP) (47%), Global Real Estate Sustainability Benchmark (GRESB) (22%) and the Global Reporting Initiative (GRI) (29%). The Climate Disclosure Standards Board (CDSB), the International Reporting (IR) Framework and the Future-Fit Business Benchmark are seeing only modest usage. (not shown)

FIGURE 10
Framework Use in 2024

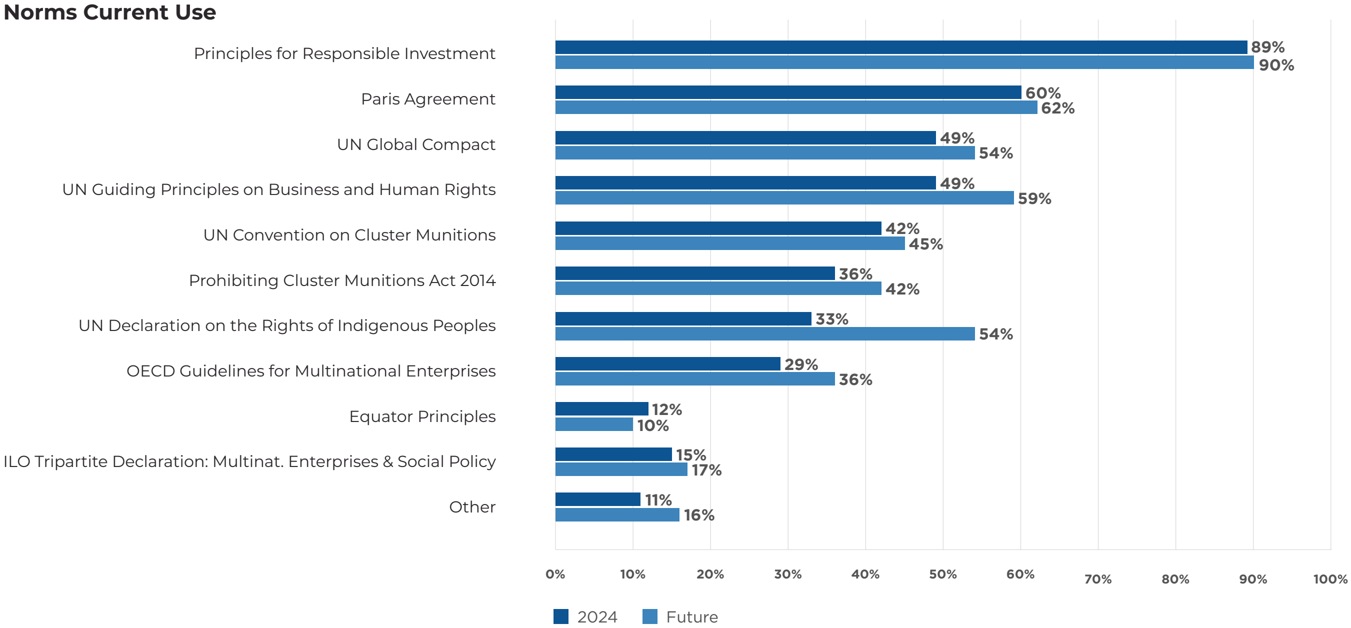


The national counterpart of the International Sustainability Standards Board (ISSB), the Canadian Sustainability Standards Board (CSSB), will be releasing the consolidated Canadian Sustainability Disclosure Standards (CSDS). When released, these standards will incorporate elements of SASB, GRI and TCFD, streamlining reporting and providing direct guidance for companies on their ESG disclosures. In turn, this will provide clarity for fund managers and institutional investors as they develop and document their RI portfolios. The transition from these other frameworks to the new CSDS may cause some temporary growing pains, as businesses and investors update their processes to incorporate them. During that time, we can expect organizations to use existing frameworks to some degree, as they ensure they are comfortable with the new standards before fully transitioning from their use of the old.

While frameworks are expected to consolidate over the coming years, norms are not. On average, respondents are expecting to use 4.9 norms in the next 2 to 5 years, up from the current use of 4.3 norms, and the prior year's use of 3.2. A notable trend in 2024 is the increase in expected use of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), with more than half of respondents saying they expect to incorporate this norm into their investment analysis over the coming two to five years **(Figure 11)**. This stems from the Truth and Reconciliation Commission of Canada's Call to Action 92 and a growing recognition of the role of investors in reconciliation.

FIGURE 11

Norms Current Use



Information Sources

As responsible investing continues to evolve rapidly, access to reliable information sources is crucial.

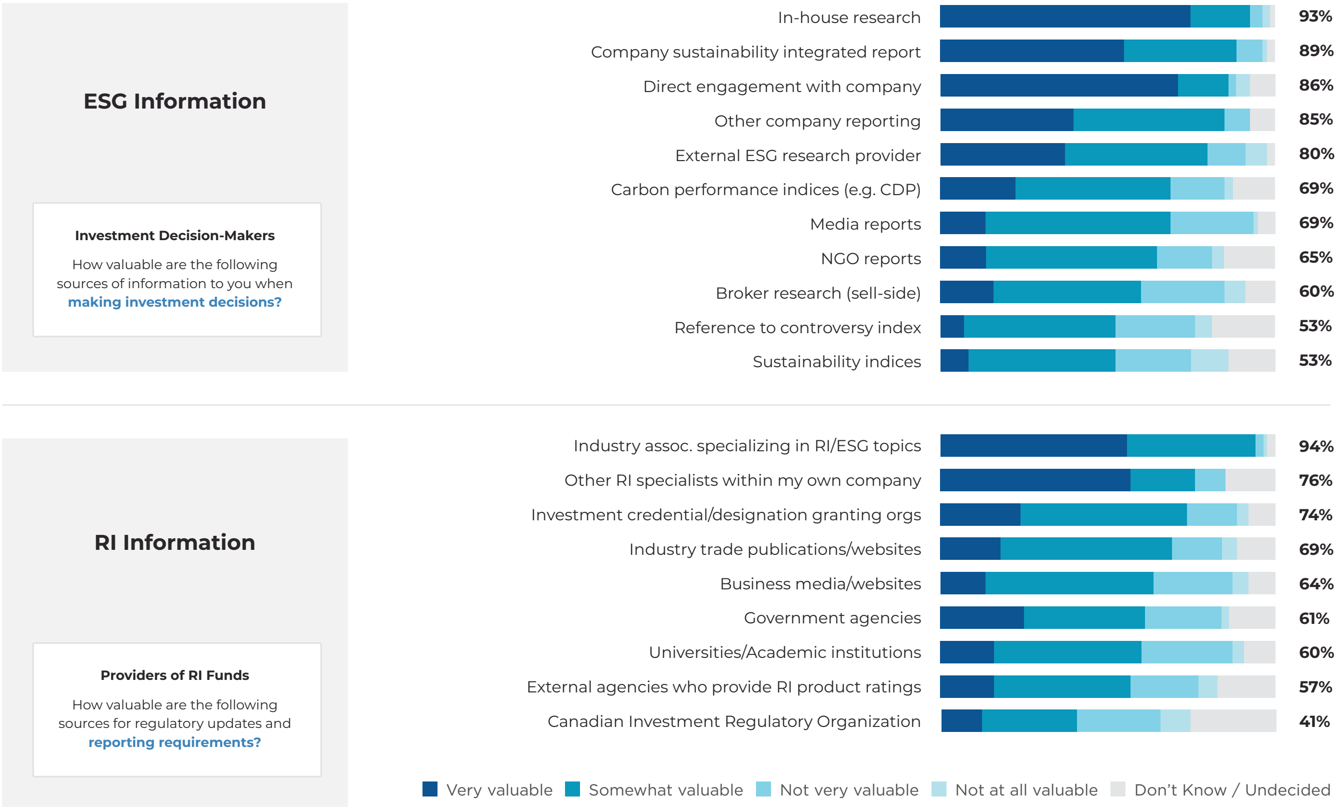
Investment Decision-Makers need ESG metrics to assess businesses. They must have access to accurate information, based on standardized frameworks.

Providers of RI Funds need information on the updated definitions and regulations that dictate how they report on and communicate the content of responsible investment funds and portfolios.

When it comes to making investment decisions, in-house research, integrated sustainability reporting and direct engagement with companies are seen as the highest value information sources. To stay up to date on the responsible investing landscape, industry associations specializing in RI and in-house RI specialists are both seen as "very valuable" sources of information **(Figure 12)**.

Ensuring that both groups have current and reliable information is imperative to maintain the integrity of genuine responsible investments and minimize the instances and impact of greenwashing.

FIGURE 12
Information Sources



Access to quality information is also critical for financial advisors, as the front-line service providers to retail investors.

GHG Emissions: Tracking, Targets and Net Zero

The tracking of GHG emissions has been a core component of RI and appears to remain that way despite the increasing focus in the past few years on the S and G of ESG. While the change is slight in each stage of the GHG emissions tracking and reduction journey, when combined these small shifts at each stage clearly indicate that there is still a directional shift toward net zero targets.

Tracking

There is a directional increase in the number of organizations that are measuring the impact of their portfolios, year-over-year **(Figure 13)**.

FIGURE 13
Measuring Carbon Intensity of Portfolio

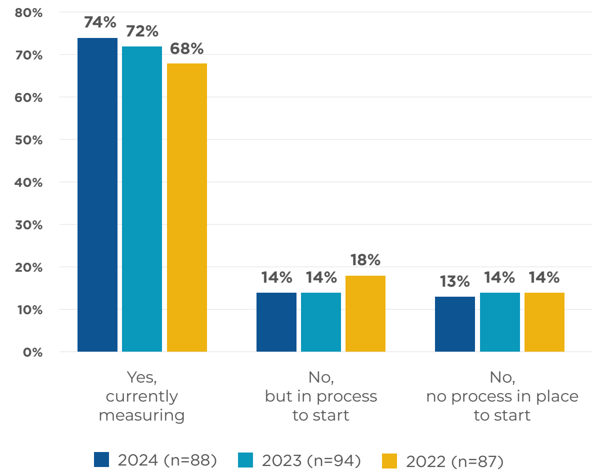
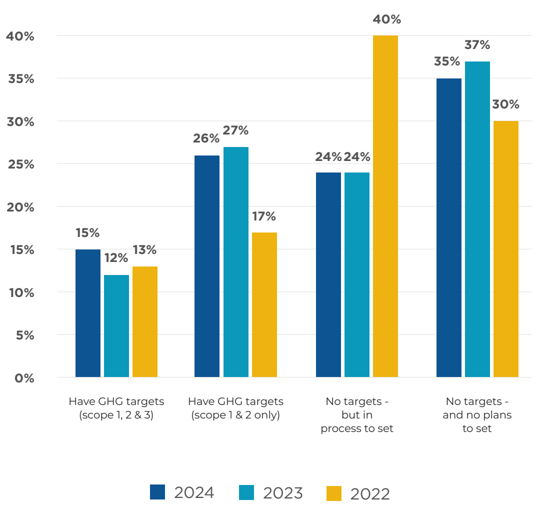


FIGURE 14
Organization has GHG reduction targets for:



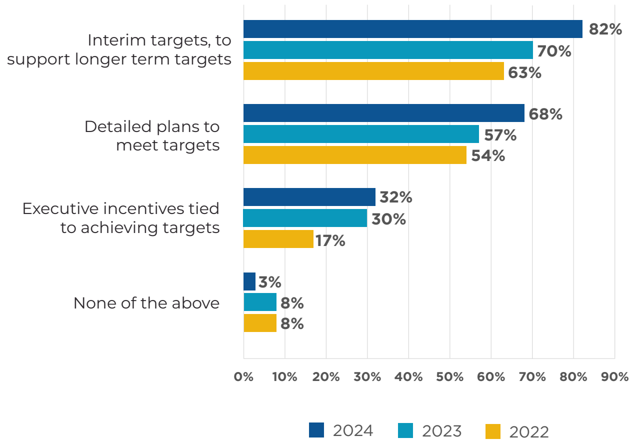
Targets

Of those measuring carbon intensity, there is also a directional increase in the number of organizations who have set scope 1, 2 and 3 targets **(Figure 14)**.

Support for GHG Reduction Targets

For those that have GHG targets, a growing percentage are using interim targets and detailed plans to support their longer-term targets **(Figure 15)**.

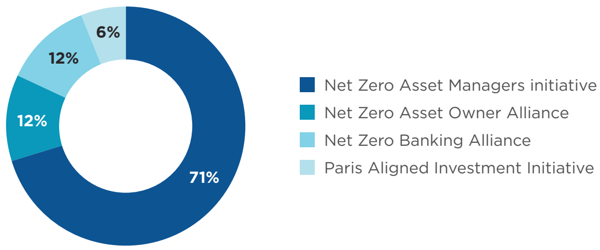
FIGURE 15
Targets are supported by:



Target: Net Zero

The Glasgow Financial Alliance for Net Zero (GFANZ) is a coalition of financial institutions committed to supporting the ambitious target of transitioning to net zero GHG emissions by 2050 to help achieve the goals of the Paris Agreement. Since its launch in 2021 in advance of COP 26, GFANZ has grown to include eight sector-specific alliances with total membership of over 700 firms from over 50 countries. In this year's survey one-third of respondents reported that they have signed on to a GFANZ Alliance. NZAM remains the predominant alliance identified by respondents of this year's survey, in keeping with prior years **(Figure 16)**.

FIGURE 16
GFANZ Alliance



Alliance[3]	Description
Net-Zero Asset Owner Alliance (NZAOA)	An international group of institutional investors that are transitioning their portfolios to net-zero goal.
Net-Zero Asset Managers initiative (NZAM)	The initiative aims to galvanize the asset management industry to commit to a goal of net-zero emissions.
Paris Aligned Asset Owners (PAAO)	A collaborative investor-led global forum enabling investors to align their portfolios and activities to the goals of Paris Agreement.
Net-Zero Investment Consultants Initiative (NZICI)	A group of investment consultants committed to aligning their operations and advisory services with the net-zero goal.
Net-Zero Banking Alliance (NZBA)	The industry-led banking element of GFANZ, convened by the UN Environment Programme Finance Initiative.
Net-Zero Financial Service Providers Alliance (NZFSPA)	A global group of financial service providers committed to supporting the net-zero goal.
Venture Climate Alliance (VCA)	Launched by leading venture capital (VC) firms committed to achieving a rapid global transition to the net-zero or negative GHG emissions goal by 2050.
Net-Zero Export Credit Agencies Alliance (NZECA)	The industry-led banking element of GFANZ, convened by the UN Environment Programme Finance Initiative.

3. Glasgow Financial Alliance for Net Zero, Sector-specific alliances, https://www.gfanzero.com/membership/

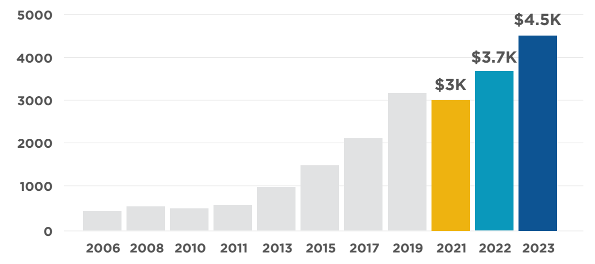
WHERE DO WE GO FROM HERE?

RI in Canada has seen steady growth over the last 10 years, from about $1 trillion in 2013 to $4.5 trillion in 2023. In that time, the market share of RI has also grown from 31% to 71% **(Figure 17)**.

The anticipated rate of growth for RI AUM is expected to moderate as RI continues to mature.

As RI has become firmly entrenched in the financial ecosystem, we can expect to see a shift in the way we document Canadian RI trends, in an effort to capture the quality of the investments, and their ability to produce results.

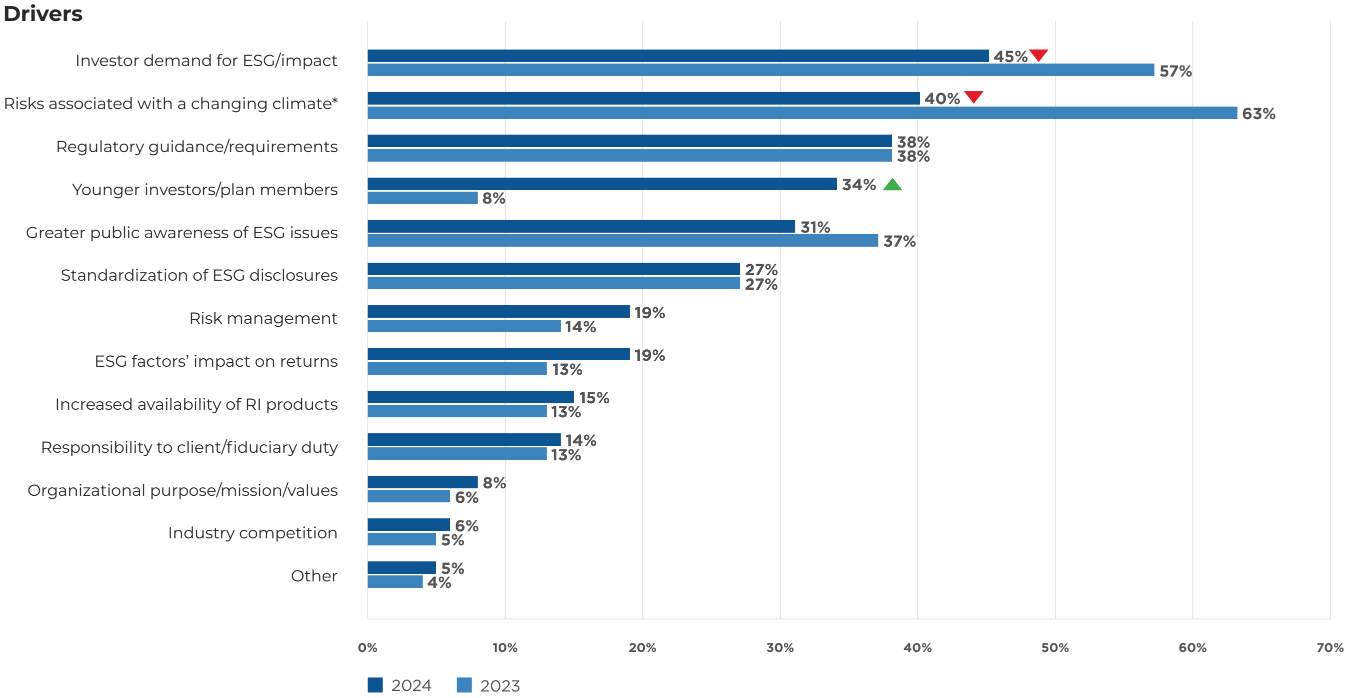
FIGURE 17
Reported Responsible Investment AUM (CAD billions)



RI GROWTH DRIVERS

While investor demand for ESG/impact and climate-related risks saw notable declines, they remain the top two RI growth drivers cited by respondents. Interestingly, the largest increase was seen by younger investors. 34% of respondents say that "younger investors/plan members" is a top 3 driver of growth: this is a significant increase over 8% in the 2023 report **(Figure 18)**.

FIGURE 18
Drivers

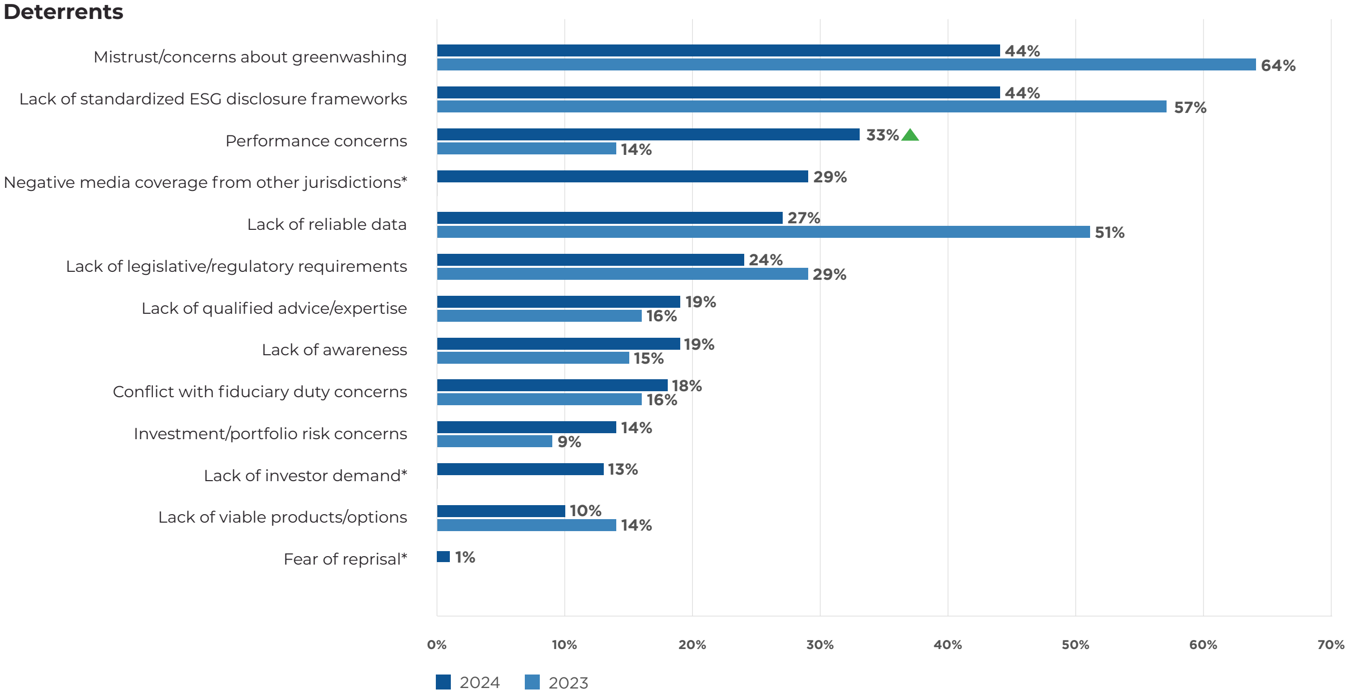


* Category renamed in 2024 from "climate change"

RI GROWTH DETERRENTS

Respondents are increasingly citing "performance concerns" as a top three deterrent to growth of RI in Canada. The number of respondents who selected performance concerns as a top three deterrent increased significantly to 33%, compared to 14% in 2023 **(Figure 19)**.

FIGURE 19
Deterrents



*Three new categories in 2024. Makes comparisons to prev years unreliable.

After several years of strong performance, sustainability related investments fared poorly in 2022 due in part to macroeconomic pressures, including inflation and rising interest rates. While 2023 saw a recovery, relative performance compared to traditional investment strategies was mixed. These more challenging periods may be behind the increase in performance concerns.

Addressing perceived performance concerns is important for the continued adoption of RI. Considering historical market cycles, equity and fixed income markets have each experienced periods of underperformance. In such cases investors are encouraged to focus on the long term rather than the short term. A sustainability approach lends itself to long term thinking, so investors should consider its relative performance under that context.

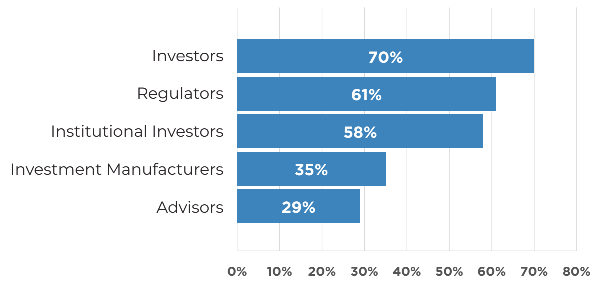
As the profile of the industry grows, further alignment on definitions and practices will be crucial to maintain investor trust and build on current momentum.

Who is Driving Growth?

Retail investors are seen as the group most likely to drive growth in RI over the next two to five years, with regulators and institutional investors following closely behind. Meanwhile, less than one-third of respondents believe that growth will be driven by financial advisors recommending RI to their clients **(Figure 20)**.

That said, the pressure that investors (both retail and institutional) are applying to the system impacts the investment sales pipeline.

FIGURE 20
Groups that will drive growth (two to five years)



ADVISOR OPPORTUNITY

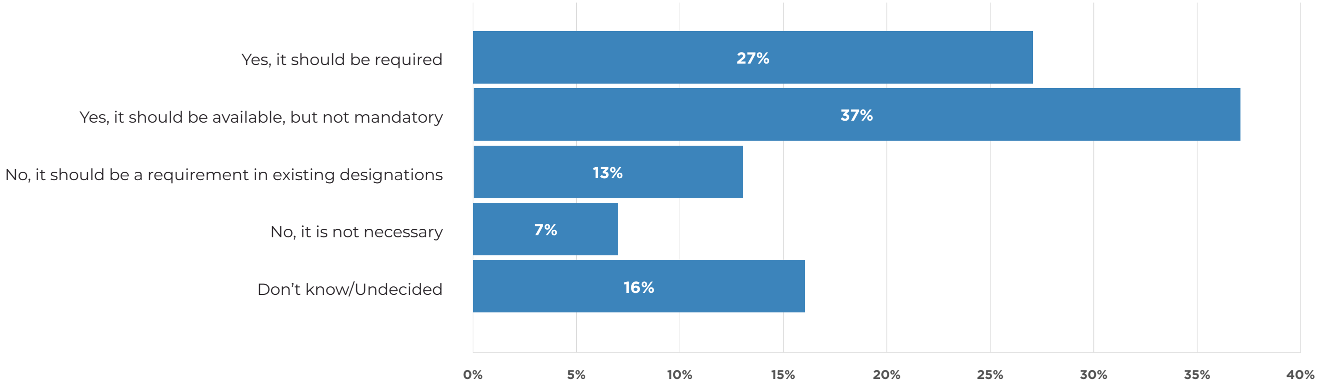
Retail and institutional investors are seen as key drivers of RI growth in Canada. They are demanding quality responsible investments based on a variety of ESG factors, that are transparent, credible and financially savvy. Advisors may not be seen as a driving force behind the growth of RI, but they are a key element in the pipeline. Increasing demand from investors will provide a significant opportunity for advisors to bridge the RI service gap by offering responsible investment solutions to their clients.

RI Education

Advisors must have a working understanding of the funds and strategies that are available to them so they can guide their clients' responsible investment decisions.

64% of survey respondents say there should be an RI standard for advisors, and a further 13% say that RI knowledge should be a requirement in existing advisor designations. Who should be responsible for the education and certification required for that standard, however, is less clear: nearly half of respondents are unsure. Advisors have differing opinions on who should provide education and certification. Providing clarity around this will be critical to ensuring advisors receive the education and certifications required to service their clients **(Figure 21)**.

FIGURE 21
Opinion on the Creation of RI Standards



CHANGE ON THE HORIZON

Each year, the RIA publishes the RI Trends Report to paint a picture of Canada's responsible investing landscape. In 2023, RI began a critical shift toward unified definitions and standards, while still growing, maturing and entrenching itself in the fabric of our financial ecosystem.

With more change on the horizon, now is not the time to get complacent.

Collective action and advocacy are required to educate, inspire and solidify standards to support further entrenchment of RI.

We must embrace change to overcome current challenges and drive further adoption of RI in order to mobilize capital in support of Canada's competitiveness and prosperity.

APPENDIX

We thank the following organizations who took the time to complete our surveys. Additional data was collected from dozens of annual reports, websites and other publicly-available sources.

Respondents in 2023 and 2024

Active Impact Investments
Addenda Capital Inc.
AGF Investments Inc.
Alberta Investment Management Corporation (AIMCo)
AllianceBernstein L.P.
AlphaFixe Capital
Bâtirente
BMO Global Asset Management
Canada Post Pension Plan
CBC Pension Plan
CIBC Asset Management
Clear Skies Investment Management
Coast Conservation Endowment Fund Foundation
Colleges of Applied Arts & Technology
Corporation de services du Barreau du Québec
Cypress Capital Management
Dalhousie University
Desjardins Investments
Encasa Financial Inc.
Evol
Federated Hermes
Fidelity Investments Canada ULC
Forum Asset Management
Genus Capital
Gestion FÉRIQUE
Global Alpha Capital Management
Global X Investments Canada Inc.
Gore Mutual Insurance
Guardian Capital LP
HRM Pension Plan
IA Clarington Investments Inc.
IG Wealth Management
Inspirit Foundation
Investment Management Corporation of Ontario (IMCO)
Jarislowsky Fraser Limited
Kaleido Croissance Inc.
Laurus Investment Counsel Inc
Lazard Asset Management LLC
Libro Credit Union
Mackenzie Investments
Manulife Investment Management
McConnell Foundation
McGill University
Meridian credit union
Munro Partners
National Bank Investments
NEI Investments
North Growth Management Ltd.
Northern Trust Asset Management
Northleaf Capital Partners
OMERS
Ontario Pension Board
OPTrust
Orbis Investments
Pictet Asset Management
Picton Mahoney Asset Management
Rally Assets
RBC Global Asset Management
REFBC
Russell Investments
Scotia Global Asset Management
Simon Fraser University
Sionna Investment Managers
SLGI Asset Management
State Street Global Advisors
T. Rowe Price Associates, Inc.
TD Asset Management Inc.
The Catherine Donnelly Foundation
Trottier Family Foundation
University Pension Plan Ontario
UTAM
Value Partners Investments
Vancity Investment Management
Vancouver Foundation
VERGE Capital
W.C. Kitchen Family Foundation
Waratah Capital Advisors
William Blair Investment Management, LLC

New Respondents in 2024

Advantage Capital Strategies
Alquity
Amplify Capital
CAAT Pension Plan
Caisse de dépôt et placement du Québec (CDPQ)
Charitus
Laidlaw Foundation
Montrusco Bolton Investments Inc.
Pender Fund Capital Management Ltd
RGP Investments (REGAR Gestion Privee)
Richardson Wealth
Schroder Investment Management
The Lawson Foundation
The United Church Of Canada Pension Plan
Trans-Canada Capital
WISE Trust

Calculation of Investment Industry Size

The sum of all professionally managed assets in Canada is estimated at $6.35 trillion. This calculation is based on proprietary data provided by the CIIN, and publicly available data from the Investment Funds Institute of Canada (IFIC) and the Organization for Economic Cooperation and Developement (OECD). The table below summarizes the calculation.

Total Asset Manager AUM (CAD millions)	**$4,698,982**
Total Pension AUM - OECD Pension Markets in Focus[4]	**$2,117,624**
Less Asset Manager Pension AUM - CIIN	**$1,338,518**
Net Pension AUM	**$779,105**
IFIC Total AUM - Mutual Funds and ETFs[5]	**$2,318,000**
Asset Manager Mutual Funds and ETFs AUM - CIIN	**1,438,232**
Net IFIC AUM	**$879,767**
Total AUM (CAD millions)	**$6,357,855**

4. "Pension Markets in Focus: Preliminary 2023 Data." OECD, June 24, 2023. Accessed 17 October 2024. https://web-archive.oecd.org/temp/2024-06-25/75201-pensionmarketsinfocus.htm

5. "2023 IFIC Investment Funds Report." IFIC, January 31, 2024. Accessed 17 October 2024. https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=28966&lang=en_CA