

Leaders, Enablers, and Improving Stories: A Case Study on Performance & Positive Social Change

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The global pandemic has resulted in many changes for Canadians, not the least of which is increased engagement in how their money is invested. As awareness of responsible investing increases, we expect demand for aligning investment portfolios with helping society to increase as well.

From our perspective, the key is active portfolio management. We find that the most effective way to achieve performance is by undertaking extensive fundamental research and actively engaging with companies.

Accentuate the positive

For our sustainability focused mandates, we look to stay true to our active investing roots in our approach to [ESG](#). It's been our experience that the exclusionary approach to ESG that goes hand-in-hand with passive investing, by its very nature may miss out on many opportunities for investment performance and positive contributions to society.

An active approach to ESG can focus on positive company inclusions that may drive the most meaningful impact towards a more sustainable economy.

Sustainable investing – why a broader target makes sense

For inspiration on key themes and areas of focus for driving positive change, we have looked to the UN Sustainable Development Goals and other important development organizations that help guide our investing approach.

When it comes to our active approach to ESG, we have identified five key investable themes that help us find companies well-positioned to generate higher profits by making positive contributions to the world:

- Sustainable energy generation
- Efficient energy consumption
- Responsible consumption and waste management
- Sustainable industry, infrastructure and communities
- Good health and well-being

Leaders, Enablers, and Improving Stories – a comprehensive approach

Within each theme, we identify three types of drivers of positive change to broaden the investment opportunities to drive society forward. We look for companies that are leaders, enablers, or improving stories and invest in businesses that are making progress along these key themes, with financial performance aligned to a positive societal contribution.

Leaders are acknowledged to be at the front of the pack when it comes to driving one or more themes forward and incorporating sustainable business practices. A great example of a leader in sustainable energy consumption is a Canadian real estate firm that manages a broad portfolio of properties, over 95% of which are green-certified by BOMA, BEST or LEED. Their leadership extends well beyond building certifications, with a 38% reduction in greenhouse gases over a 10-year span and a commitment to reduce their carbon footprint by 80% over four decades.

A great example of an enabler is a leading engineering company that is a meaningful holding in our mandates. The company derives a dominant share of its revenue from projects that are helping to improve the emission profile and environmental impact of key municipal infrastructure. Though not an obvious ESG leader, the firm's expertise in design enhancements is making an important contribution to improving sustainability.

Critical to societal success are improving stories. Investing in firms that are not acknowledged sustainability leaders but are actively making strides to improve their operations is essential to building the sustainable global economy. Of note was an investment we made in a Canadian power producer that transitioned its mix from entirely coal-fired to predominantly renewable power over several years.

In short, we look to include not only the more obvious sustainability leaders, but also those that are enabling others to achieve sustainability targets and those that continue to improve. This supports our strategy to invest in a diversified portfolio of firms working to achieve societal goals.

An active management approach to responsible investing

As investors increasingly look for ways to build a portfolio that reflects their values, enhances societal outcomes and delivers desired performance, we firmly believe that our active approach will help deliver the right solutions for responsible investing. Targeting leaders, enablers and improving stories that are making progress on our key investable themes is critical to achieving the right mix of companies, risk, reward and returns. We actively manage portfolios by looking beyond indices and ratings agencies, and as a result, our investments are aligned with broader sustainable themes and have a more meaningful impact on achieving societal goals.

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