Responsible Investing

Aligning values and investing

Responsible Investing encompasses a number of investing approaches, including Socially Responsible Investing (SRI); Environmental, Social, and Governance Investing (ESG); and Impact Investing.

Many individuals are choosing responsible investing because of its unique ability to combine financial success and social impact. Responsible Investing also can allow for personalization to be more in line with the investor's values.

Choose an approach that is right for you

Responsible Investing is any investment strategy which considers both financial and nonfinancial factors. Asset classes and individual securities are selected for their ability to achieve an investor's specific investment goals as well as for their ability to align with and support an investor's personal value system. The application and objectives may vary, but the common element in Responsible Investing is the consideration of factors beyond traditional fundamental and valuation metrics.

	Socially Responsible Investing (SRI)	Environmental, Social and Governance (ESG)	Impact investing
How it works	SRI investors apply a "negative screen" to their portfolios to remove investments they find objectionable.	ESG investors apply a "positive screen" to search for investments that perform well on various ESG metrics, such as:	Impact investors seek to generate a positive social or environmental impact, and financial returns are often secondary to the mission, though not irrelevant.
	Portfolios may remove sectors and companies who do not meet an individual's responsibility standards. Common examples include companies who produce alcohol, tobacco and weapons.	• Environmental concerns — including climate change, natural resources conservation, pollution and waste management, and water scarcity. • Social issues — such as corporate philanthropy, community and government relations, workplace health and safety, human rights and diversity. • Governance topics — including accounting practices, board accountability and structure, disclosure practices, executive compensation, corporate ethics, regulatory compliance and transparency.	Impact investing is not charity. It is an investment where an investor is hoping first and foremost to generate social or environmental impact. An impact investor also wants to earn a return on their investment. However, they may be willing to take a capital loss as long as some tangible result for the investment can be seen. In that way, it is essential to be able to measure the impact of this investment.
Examples	Catholic organizations may choose to remove investments that produce contraceptives and Sharia compliant investments may remove investments that collect interest. A popular modern application of negative screening is a Fossil Fuel Free portfolio.	Portfolios focus on nonfinancial factors that the managers believe play a material role in determining the risk and return of the company being evaluated. Each manager may look at different topics for different securities. Common examples include entities involved with sustainable energy or that have strong records in promoting diversity or human rights.	Common examples include investment in low income housing loan assistance or an investment in sub-Saharan Africa where the fund is making microloans to women-owned small businesses. In both instances, a tangible impact can be measured (i.e., number of households able to afford housing or number of businesses started) and the investor is likely to get their money back.

Making a business case

A popular misconception about Responsible Investing is that it is a niche investment style or a trend. RBC Wealth Management believes, however, there is a broader story at play. Responsible Investing assets have more than doubled in the last five years, growing from $3.7 trillion in 2010 to $8.1 trillion in 2016. That means that one out of every five dollars under professional management in the United States is involved in a Responsible Investing strategy.[1]

Another measure of the growth in Responsible Investing is the growth of the Principles for Responsible Investment (PRI). The PRI, an international group of asset managers and asset owners, attempts to drive adoption and education of Responsible Investing. This group now has more than 1,700 signatories representing more than $68 trillion globally.

Numbers speak louder than words

Another misconception is that Responsible Investing typically has a negative impact on performance. In fact, in an article published in the Journal of Sustainable Finance & Investment, researchers aggregated evidence from more than 2,000 studies that evaluated the relationship between ESG and performance. This is by far the most comprehensive study on this topic and it found that 90% of these studies found that ESG had, at worst, no impact on performance. Within that 90%, they found that the majority of these studies, found a positive impact on performance when ESG factors were considered.[2] So simple changes to how you invest may help make a dramatic impact on both your financial life and the change you want to see in the world.

Our Responsible Investing mission

At RBC Wealth Management, we are proud of our dedication to environmental and social values. RBC is committed to community involvement, diversity and inclusion, and environmental responsibility to help the world become a better place —for both current and future generations. Through the RBC Blue Water Project, RBC has committed to a 10-year, C$50 million program to help protect fresh water across the globe. RBC is also dedicated to children through RBC Children's Mental Health Project, which promotes children's mental health education and awareness, and RBC After-School Grants Project, which funds organizations who provide safe after school programs for children.

But it can't just be about us.

To help make good on our commitment to have a positive social and environment impact, we must look beyond our own actions and create pathways for you to invest capital in a more responsible manner.

That's why we are excited to now offer you Responsible Investment strategies that can help meet your return expectations while having positive social and environmental impact.

From education and information to a robust suite of responsible investing solutions, which includes those managed by an in-house team of experts as well as a variety of third-party solutions hand-selected by our own experts, you now have access to the tools to help take the first steps toward integrating your values into your investment portfolios.

Balancing prudent investment strategies with a view toward the impact those strategies have socially, environmentally and economically has never been easier than it is today.

RBC has a long history of helping clients thrive and communities prosper. And now we are pleased to enable you to join us on this journey toward a more sustainable world.

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1. Journal of Sustainable Finance & Investment http://www.tandfonline.com/doi/pdf/10.1080/20430795.2015.1118917.

2. Source: US SIF Foundation

