

# Creating positive change

RESPONSIBLE INVESTING





## AN INVESTMENT APPROACH GAINING IN STRENGTH

Responsible Investing (RI) is an investment approach that has expanded in broader appeal over the past three decades, with investors showing greater awareness of and willingness to consider Environmental, Social and Governance (ESG) factors as part of their investment process.

RI considers ESG factors by using its inherent principles as guidance on investment decisions and active ownership of companies; factors that can ultimately offer benefits not only to the long-term sustainability of the company, but also to the sustainability of the world and its inhabitants.

## UNDERSTANDING THE NUANCES OF RI APPROACHES

Although sustainability considerations play an increasingly important role in investing, there is no uniform consensus or standardization on how responsible investing is carried out. Investors are faced with a variety of approaches to responsible investing, and yet while similar in description, each may offer differing levels of complexity, considerations and outcomes.

### THE ENVIRONMENTAL IMPACT

The issues affecting the natural environment, such as climate change, greenhouse gas emissions, resource depletion and water scarcity, waste and pollution, biodiversity and deforestation.

### THE SOCIAL IMPACT

The issues affecting people: human rights, working conditions including slavery and child labour, human capital management, diversity and inclusion, health and safety, conflict zones and local communities.

### THE GOVERNANCE IMPACT

The issues relating to how companies 'govern' themselves, which include the composition and skillset of its board members, executive remuneration, bribery and corruption policies, board diversity and tax and audit practices.

# SEVEN CLASSIFICATIONS FOR RESPONSIBLE INVESTING

To help define the different approaches, the Global Sustainable Investment Alliance (GSIA<sup>1</sup>) has established seven classifications for responsible investing.

## INCLUSIONARY ESG INVESTING

### EXAMPLES

1	<b>ESG INTEGRATION</b> Considers ESG risks and opportunities as part of financial analysis and the investment decision-making process	All sectors have potential
2	<b>ACTIVE OWNERSHIP</b> Uses shareholder power, which is guided by ESG considerations, to influence corporate behaviour through proxy voting and engaging with senior management and boards	All sectors have potential
3	<b>THEMATIC INVESTMENT</b> Investment in themes or assets that are related to improving social or environmental sustainability	<ul style="list-style-type: none"> <li>• Clean Energy</li> <li>• Green Technology</li> <li>• Sustainable Agriculture</li> </ul>
4	<b>POSITIVE SCREENING (BEST-IN-CLASS)</b> Commences with the selection of best-in-class sectors, companies or projects based on ESG or sustainability performance, followed by financial analysis	<ul style="list-style-type: none"> <li>• Renewable Energy</li> <li>• Sustainable Land and Agriculture</li> <li>• Sustainable Water and Low Carbon</li> </ul>

## EXCLUSIONARY ESG INVESTING

### EXAMPLES

5	<b>NEGATIVE SCREENING</b> Commences with an existing portfolio and applies a systematic exclusion of certain sectors, companies, countries, or issuers based on activities that do not meet specific criteria(s)	<ul style="list-style-type: none"> <li>• Weapons</li> <li>• Fossil Fuels</li> <li>• Nuclear</li> </ul>
6	<b>NORMS-BASED SCREENING</b> Includes screening of investments that do not meet minimum standards of business practices, such as international norms and conventions	<ul style="list-style-type: none"> <li>• UN Global Compact</li> <li>• Paris Agreement</li> <li>• UN Declaration of Human Rights</li> </ul>

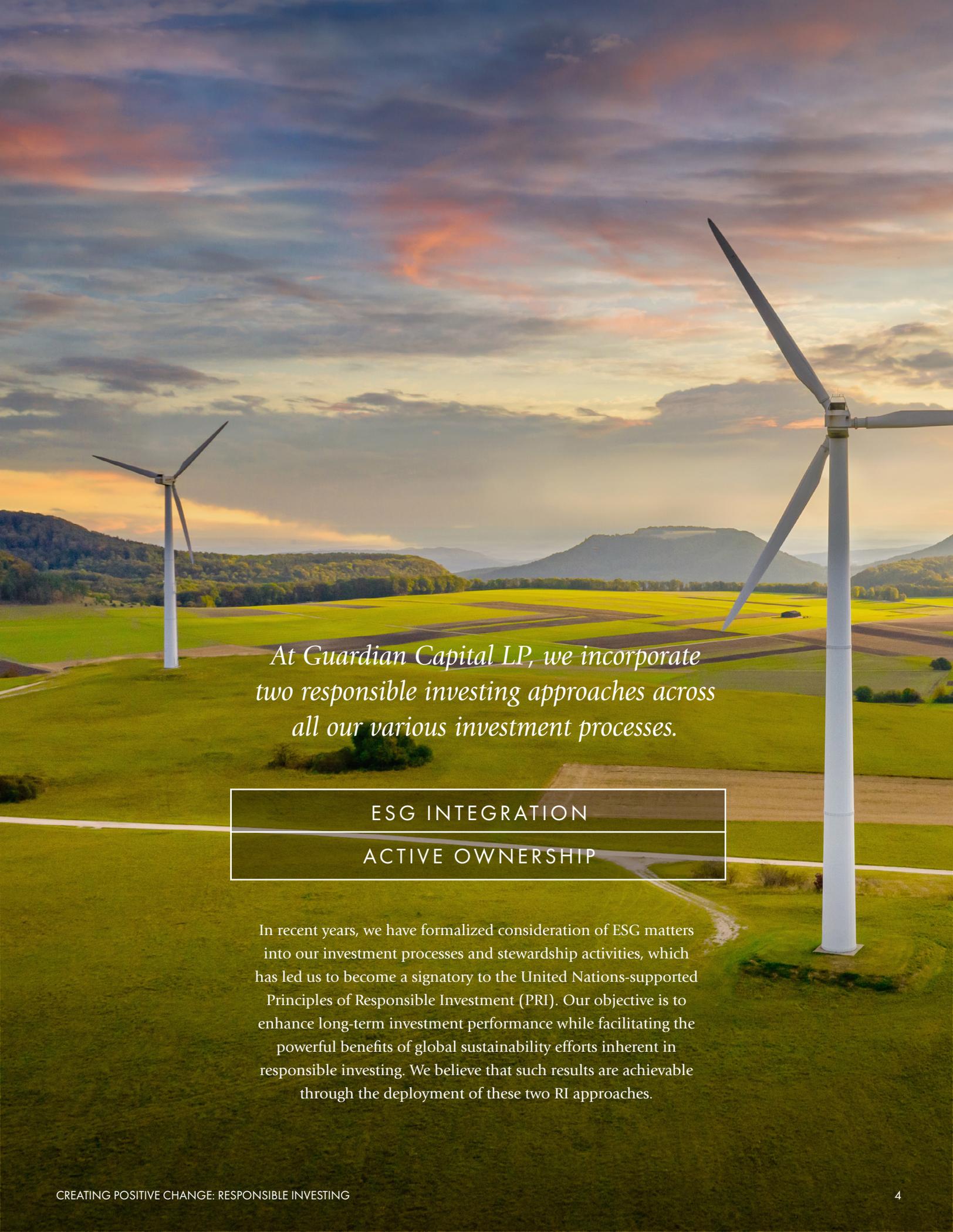
## IMPACT INVESTING

### EXAMPLES

7	Targets investments with the explicit intention of generating positive social and/or environmental impact, as well as financing businesses with a clear social or environmental purpose	<ul style="list-style-type: none"> <li>• Green Bonds</li> <li>• Social Bonds</li> <li>• Sustainability Bonds</li> </ul>
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Source: Global Sustainable Investment Alliance.

<sup>1</sup> GSIA is a collaboration of membership-based sustainable investment organizations around the world who monitor financial markets for sustainable and equitable economic practices.



*At Guardian Capital LP, we incorporate two responsible investing approaches across all our various investment processes.*

ESG INTEGRATION

ACTIVE OWNERSHIP

In recent years, we have formalized consideration of ESG matters into our investment processes and stewardship activities, which has led us to become a signatory to the United Nations-supported Principles of Responsible Investment (PRI). Our objective is to enhance long-term investment performance while facilitating the powerful benefits of global sustainability efforts inherent in responsible investing. We believe that such results are achievable through the deployment of these two RI approaches.

## ESG INTEGRATION



ESG Integration occurs through our proprietary research processes and the analytical skills of our investment teams. Our investment teams do not apply any preset exclusions; instead, they assess ESG factors in determining the long-term sustainability of the underlying company and the impact ESG factors have on its outlook and valuation. The goal is to determine what material ESG risks are inherent in the company's business and operating practices and to see evidence of progress in addressing and mitigating any areas of concern.

Responsibility for implementing ESG integration rests with the investment team, with the process unique to the investment mandate. Whether it is creating our own specialized framework to identify and guide fundamental ESG research, utilizing an internally developed quantitative framework that evaluates over 70 different ESG metrics, or conducting an in-depth ESG ranking for our fixed income credit investment process, ESG considerations are formally embedded within every investment process at Guardian Capital LP (Guardian Capital).

## ACTIVE OWNERSHIP



Our Active Ownership efforts focus on dialogue with companies to influence their approach to ESG factors that are material and relevant for their specific circumstances. In this way, we can more clearly determine a company's position on material ESG issues, actions and progress made to date, and additional actions or progress it plans to take in the future. Recognizing that change for a large organization with built-in infrastructure and entrenched industry practices can take time, the intent of our investment teams is to raise critical ESG issues and make them "top of mind" for corporate leaders when they make decisions. Additionally, as part of this process, the voting of shareholder proxies considers ESG issues along with other financial factors.

Engagement can be proactive through regular meetings with management, or reactive to a particular issue or event. Our investment teams use these opportunities to raise ESG issues, with the aim of encouraging companies to explore solutions to affect the desired change.

### SPECIALIZED APPROACHES

Outside of the two fully integrated approaches in all Guardian Capital portfolios, we also offer strategies that incorporate more specialized RI processes:

### NEGATIVE SCREENING

Our Guardian Ethical Management (GEM)<sup>2</sup> Pools utilize Negative ESG Screening in conjunction with an extensive Active Ownership program through their ESG partner, Northwest & Ethical Investments LP.<sup>3</sup>

[LEARN ABOUT GEM](#)

### MULTI-ASSET SOLUTION

Guardian Capital's Sustainable Funds are a fund-of-funds that apply ESG oversight by objectively screening each of the underlying funds based on sustainability thresholds, as measured by Morningstar® Sustainability Ratings™.<sup>4</sup>

[LEARN ABOUT OUR SUSTAINABLE FUNDS](#)

### THEMATIC INVESTING

Guardian Capital offers a carbon-constrained version<sup>5</sup> of our [Guardian Canadian Equity strategy](#). The carbon-constrained strategy applies careful consideration in eliminating companies based on energy production, fossil fuel distribution and other factors.

<sup>2</sup> The GEM Pools are each a private offering available to qualified investors only. Guardian Capital LP is the manager of the GEM Funds.

<sup>3</sup> Northwest & Ethical Investments LP (NEI) provides the Environmental, Social, and Governance (ESG) screening and engagement while Guardian Capital LP provides the investment fund management portfolio.

<sup>4</sup> The Sustainable Funds are multi-asset solutions that aim to achieve their investment objectives primarily through investment in Guardian mutual funds and ETFs and or third-party mutual funds and ETFs (the "underlying funds").

<sup>5</sup> The Canadian Equity Carbon Constrained strategy is currently only offered as a segregated account mandate.

# MEANINGFUL GLOBAL PARTICIPATION

Guardian Capital, as a signatory to the UN-supported PRI, is committed to its six voluntary, guiding principles. The PRI is the leading proponent of responsible worldwide investment, focused on developing greater understanding of the investment implications of ESG factors and providing international support in incorporating these factors into investment and ownership decisions.

Guardian Capital also supports the recommendations of the Task Force on Climate-related Financial Disclosures and is a member of the IFRS Sustainability Alliance and the Responsible Investment Association.



Signatory of:



Please read the prospectus before investing. Important information about each Guardian Capital mutual fund and exchange traded fund ("ETF") is contained in its respective prospectus. Commissions, trailing commissions, management fees and expenses all may be associated with investments in mutual funds and ETFs. You will usually pay brokerage fees to your dealer if you purchase or sell units of an ETF on the Toronto Stock Exchange ("TSX"). If the units are purchased or sold on the TSX, investors may pay more than the current net asset value when buying units of the ETF and may receive less than the current net asset value when selling them. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated. This information is for educational purposes only and does not constitute investment, legal, accounting, tax advice or a recommendation to buy, sell or hold a security or be considered an offer or solicitation to deal in any product mentioned herein. It is only intended for the audience to whom it has been distributed and may not be reproduced or redistributed without the consent of Guardian Capital LP. This information is not intended for distribution into any jurisdiction where such distribution, publication, availability or use is restricted by law or regulation.

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Guardian Capital LP is a signatory of the United Nations-supported Principles of Responsible Investment (UN PRI). The UN PRI does not prescribe the exclusion of any particular type of company or industry; rather it requires that, as the Manager, we are informed on the ESG issues, and that we are comfortable with the activities and practices of the companies that we invest in. Our Responsible Investing policies are publicly available on our website at <https://www.guardiancapital.com/investmentsolutions/responsible-investing/>

Responsible investing is an approach to investing that incorporates ESG considerations into investment decisions. This approach may incorporate considerations beyond traditional financial information into the investment selection process, which could result in investment performance deviating from other products with comparable objectives or from broad market benchmarks.

Guardian's Sustainable Funds and GEM Pools have ESG-related investment objectives, while other Guardian Mutual Funds and ETFs do not have ESG-related investment objectives. All Guardian Funds integrate ESG considerations into the investment analysis of all holdings within their respective portfolio. A Fund's ESG characteristics and performance may change from time to time. Please review the Fund's prospectus for details on how the Fund's investment strategy incorporates responsible investing considerations and the associated risks, and consult your financial professional prior to investing.

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