

Understanding ESG Investing



At Scotia Global Asset Management, we believe that successful investing is about finding the optimal balance between risk and reward. As dedicated active managers, our investment teams consider a broad range of environmental, social and governance (ESG) factors in their investment processes. The consideration of ESG factors provides a fuller perspective on risks and opportunities and helps us to realize our ultimate goal: delivering long-term value to investors.

Why ESG Investing Matters

- A better understanding of risk. Consideration of ESG factors into the investment process provides a deeper understanding of an investment's risk profile and its potential value over the long term.
- Poor ESG performance can be costly. Major ESG-related issues can expose a company to costly lawsuits and fines, which can negatively impact shareholder value.
- Strong ESG performance helps build trust – and shareholder value. Research has shown that companies with strong ESG practices have lower risks, reduced costs and stronger share-price performance versus companies with weak ESG-related practices.

ESG Factors: Key Considerations

Environmental (E)

How is a company's business being impacted by increasing risks associated with climate change? Are they exposed to fines or penalties over issues, such as pollution or excessive waste? What efforts have they undertaken to reduce their carbon footprint/environmental impact?



Climate change
Greenhouse gas emissions
Waste and pollution
Renewable power

Social (S)

How well does a company treat its employees? Are there concerns about human rights violations, lack of diversity or health and safety issues? How well do they safeguard their customers' data?



Diversity and inclusion
Labour standards
Human rights
Data protection and privacy

Governance (G)

Is the company's board of directors independent and responsive to shareholder concerns? Is executive compensation aligned with shareholder interests?



Board independence
Shareholder rights
Executive compensation
Bribery and corruption

ESG Investing: An Opportunity for Engagement

The Scotia Global Asset Management investment teams believe that engagement is the best way to foster positive change on a range of ESG issues. As active managers, our objective is to analyze and push for more regular disclosure from the companies we invest in; engaging regularly with management teams creates an environment where that can happen.

Scotia Global Asset Management®

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