

What this means for you

The message from this survey is that investors do want to know what your material environmental, social and governance issues are – and they want to know how they're included in your company strategy, risk management and executive compensation plans. They're also looking for a clear and consistent discussion in all of your disclosure: MD&A, CD&A and sustainability reporting.

For more about the link between material sustainability issues and corporate performance:

Harvard Business School

Working paper 15-073

Corporate Sustainability: First Evidence on Materiality
Mozaffar Khan, George Serafeim and Aaron Yoon
2015

For more about integrating material ESG issues into reporting:

Sustainability Accounting Standards Board
Implementation Guide for Companies
November 2015

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SimpleLogic Inc. specializes in simplifying complex information. Founded in 1997, SimpleLogic creates award-winning work for leading companies across North America, and continually sets new standards for plain language disclosure. They speak regularly about the value of clear communication and consult with regulators, law firms and industry organizations.

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2015 Canadian investor survey: New insights into what investors want from disclosure



85% agree or strongly agree

The quality of a company's ESG disclosure has an impact on our perception of its management and/or board of directors.

- 1 Principles for Responsible Investment (PRI). *Integrating ESG issues into executive pay, Guidance for investors and companies*. June 2012.
- 2 *Executive pay: aligning incentives with strategy*. Session at the annual PRI in Person conference in Montreal, Canada. September 2014.
- 3 *Linking performance to ESG criteria for executive pay*. Session at Responsible Investor Conference in Montreal, Canada. October 2015.

2015 Canadian investor survey

New insights into what investors want from disclosure

Summary report – December 2015

Our 2015 study of Canadian institutional investors asked whether or not they incorporate environmental, social and governance (ESG) issues into their investment decision-making – and if they do, how they do, where they get their information and how useful it is.

The 2015 study of Canadian institutional investors has its roots in proxy disclosure.

In 2012, the UN Principles for Responsible Investment (PRI) started a series of studies to look at how companies are bringing Environmental, Social and Governance (ESG) elements into their compensation of executives.¹

In September 2014, Ontario Teachers' Pension Plan participated on a PRI panel in Montreal talking about the same subject.²

And in October 2015, at an event in Montreal, la Caisse de dépôt et placement du Québec, Ontario Teachers' Pension Plan, PSP Investments and British Columbia Investment Management Corporation were all talking about what they're looking for in executive compensation: a link between corporate strategy and pay, including material ESG metrics, and consistency between the MD&A, CD&A and sustainability reporting.³

So when we decided to talk to investors in Canada, we wanted to explore this idea of corporate strategy, material metrics and pay for performance further. We also wanted to understand how Canadian institutional investors use ESG in evaluating companies before making voting and investing decisions. This report is a summary of our key findings. Watch for the full report in early 2016.

Who we talked to

We surveyed a group of 24 institutional investors representing over \$1.7 trillion in assets under management, including pension funds, mutual and pooled funds and other investment managers.

The survey was conducted between August and December 2015 and completed by members of the investment team (30%), senior management (30%), members of the governance team (20%), portfolio managers and one board director.

What we learned

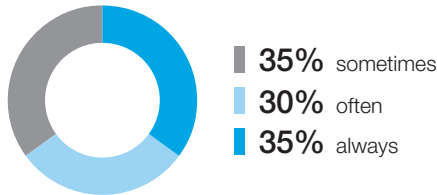
1 Investors consider ESG issues when making investment decisions

Investors are definitely considering ESG when making investment decisions

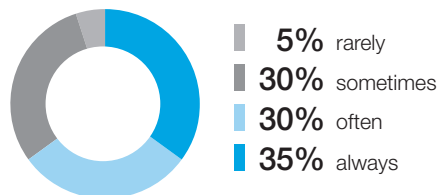
65% of the investors we surveyed often or always considered environmental or social issues when making investment decisions, and 95% often or always considered governance issues.

This information is mostly being used by portfolio managers and investment teams – 75% review environmental issues, 50% social and 81% governance for every investment.

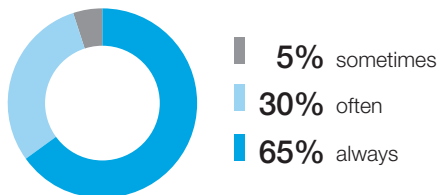
Environmental



Social



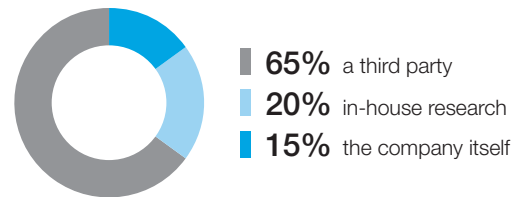
Governance



2 Investors get this information mostly from third parties

Investors said they prefer information from third parties

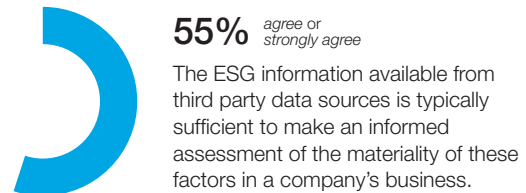
65% of investors say they prefer to get ESG information about a company from third parties.



75% said they find third party data useful for assessing company performance (ranked 4 or 5 on a scale of 1 to 5), while only 36% find sustainability reports useful.

But it's not giving them what they need

Only 55% agreed that third party ESG data is sufficient to make informed decisions about the materiality of the factors, so investors seem to be ambivalent about the quality of information they're getting from other sources.



And the information companies are providing isn't useful

70% of participants said that the ESG information companies are giving them is not sufficient to make an informed assessment of materiality factors in the business.



78% *agree or strongly agree*

In the past 12 months, at least one of our investment decisions has been significantly influenced by a company's ESG factors.

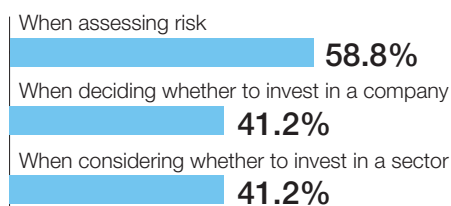
3 Investors use ESG information in several ways

The survey respondents were consistent: they look at environmental, social and governance issues when assessing risk, when deciding to invest in a company or sector and when engaging with companies.

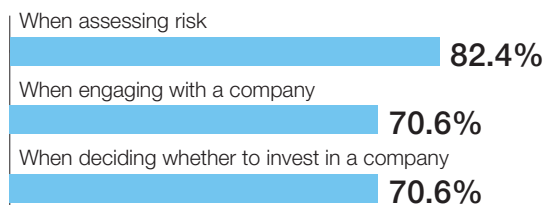
Environmental



Social



Governance



4 Investors are consistent in what they want

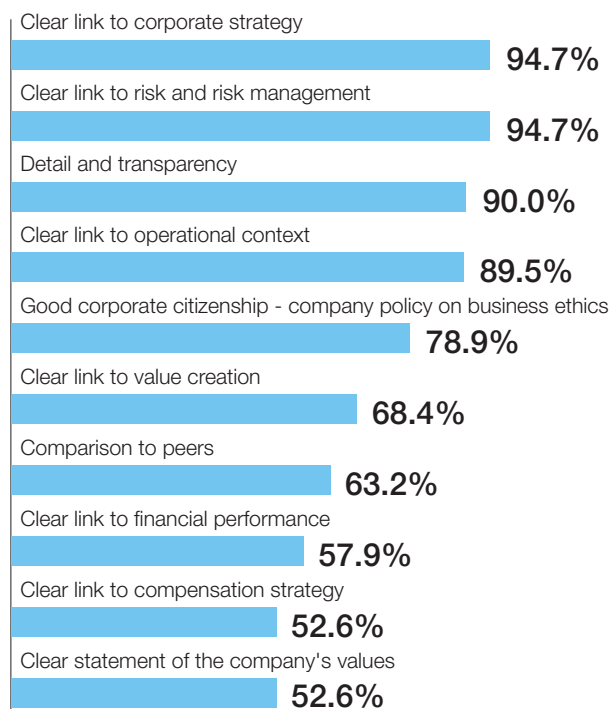
Tied at the top of the list are a link to corporate strategy and risk management.

Investors want to see material environmental, social and governance issues in the MD&A (SASB provides guidance – see back cover). Sustainability reports can provide more detail, but the material elements should be discussed consistently.

And although it doesn't appear in this survey, investors are saying they want to see material ESG issues in compensation structure and CD&A disclosure.^{2,3}

What are the most important features you're looking for in ESG information?

ranked 4 or 5 on a scale of 1 to 5



70% *disagree or strongly disagree*

The ESG information companies provide about themselves is typically sufficient to make an informed assessment of the materiality of these factors in their business.