What is

RESPONSIBLE INVESTING?

NEI

Like all investing, **responsible investing** is first and foremost a way to grow your money for the future. But there's a big difference. When you invest responsibly, your money is not just working for you and your family, it's working for everyone.

Responsible investing takes into consideration factors that can influence a company's financial success, *as well as its impact on people and the planet.* These are called **ESG factors**, and they are divided into three main categories:

Environmental factors such as climate change, resource use and pollution

Social factors such as working conditions, human rights and employee relations

Governance factors such as executive pay, board diversity and corporate corruption

Responsible investors ask questions that reveal the bigger picture. Do companies treat employees fairly and equally? Are they respectful of the communities where they do business? Are they working to reduce their carbon emissions to help stop climate change? Do their boards of directors reflect the diversity of their workforce? Do their products hurt people?

Responsible investing can help manage risk in your portfolio while providing the opportunity for higher returns. It can help align your money with your values. It can help you make an *impact*.

If you had the opportunity to achieve your financial goals and make the world a better place through your investments, would you not take it?

Diving deeper into responsible investing

Corporate engagement

Corporate engagement is when shareholders talk directly with companies to influence or change the way the company is run. The aim is to help the company improve its environmental, social and/or governance factors. Discussions can take the form of letters, emails, phone calls, and face-to-face meetings.

Proxy voting

Investors have the right to steer the direction of a company by voting on matters such as members of the board of directors, compensation packages, mergers and acquisitions, and more. When you own a mutual fund, the fund company (your "proxy") may vote on your behalf according to their proxy voting guidelines.

Active ownership

Active ownership is an umbrella term that includes the tactics of corporate engagement and proxy voting (see above) in pursuit of financial and responsible investment objectives. Instead of taking a set-it-and-forget-it approach, active owners exercise their rights as shareholders to influence or change how a company is run.

Impact investing

Impact investments are made with the intention to generate a positive, measurable social and environmental impact alongside a financial return. Typically, impact results are reported to investors so they can see the effect their money is having on their established objectives.

Greenwashing

Greenwashing is the practice of describing and promoting behaviours and actions as more beneficial for the environment than they truly are. It's important to take a close look at your investments to avoid being misled as to their environmental impact. Your advisor can help provide the appropriate due diligence on your funds.

Negative and positive screening

Many responsible investors avoid certain types of businesses or industries (negative screening). Common exclusions include tobacco, weapons, and pornography. Investors may also seek out companies with preferred qualities (positive screening), such as low carbon footprint or strong gender and racial diversity.

Ask your financial advisor about how responsible investment solutions from NEI can help you achieve your goals.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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