The Canadian Coalition for Green Health Care
Coalition canadienne pour un système de santé écologique

Sustainable Investment **FAQ** **Tool 2**

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For **guided discussions using common questions** from Canadian health care foundations

PEACH
Fondation Familiale Trottier Family Foundation
Canada Climate Law Initiative | L'Initiative canadienne de droit climatique
Quinn + Partners

WHEN CAPITAL AND CARE DRIFT APART

Health care foundations are entrusted with more than capital. They are entrusted with public confidence, donor trust, and a mission rooted in care. While philanthropic strategies reflect these values, investment portfolios are often built using conventional financial criteria alone. This can create a growing gap between mission and capital.

This gap is not intentional, but it is increasingly visible. Donors are asking sharper questions. Expectations around transparency are rising. Exposure to controversial sectors, governance failures, or climate-related risks is harder to overlook. Together, these pressures introduce reputational and governance risks that exist regardless of financial performance.

In today's landscape, sustainable investment is expected — foundations without it risk questions, scrutiny, and reputational harm.

ABOUT THIS TOOL

This FAQ provides health care foundation leaders with **clear responses to common questions and misconceptions about sustainable investment**. It's designed to help health care foundations make confident decisions, so their capital supports care today and a healthier system tomorrow. This tool reflects input from participants in the Healthy Capital Community of Practice.

HOW TO USE

Use this tool to **prepare for and/or guide conversations** on sustainable investment and environmental, social, and governance (ESG) integration: review likely questions, draw on the suggested answers, and use the follow-up questions and resources to steer and deepen the discussion.

This tool can be used in collaboration with Tool 1 and Tool 3. Used together, the three tools are designed as a practical set.

Tool 1 builds a shared baseline on the "why" and the business case

Tool 2 supports a deeper, guided discussion on common questions

Tool 3 provides ready-to-adapt language to translate decisions into updated investment policy and implementation

FREQUENTLY ASKED QUESTIONS

Question 1: What is sustainable investment, and why is it important for health care foundations?

Answer:

Sustainable investment is an investment approach that considers environmental, social, and governance (ESG) factors when making investment decisions and managing assets in the portfolio.

It's about using financial and material[1] non-financial factors to strengthen investment decisions, manage risk, and capture value creation opportunities. It is important for health care foundations because they rely on resilient, long-term investment returns to sustain giving, so unmanaged ESG-related risks and missed opportunities can affect financial performance. It is also important to maintain the foundation's reputation over time; capital stewardship should not contradict the foundation's mission.

Importantly, this approach is not premised on accepting lower returns: evidence from large fund datasets and academic research generally finds no systematic performance penalty from integrating financially material ESG factors, and often points to comparable returns with stronger downside resilience over longer time horizons (see Question 3).

Question 2: Which investors incorporate sustainable investment?

Answer:

Canadian market adoption is now mainstream among professionals, which signals this is part of prudent investing, not a niche. According to the RIA's 2024 Trends Report, about 71% of Canadian assets under management — roughly CAD 4.5 trillion at the end of 2023 — were managed using a sustainable investment approach.[2] The 2025 update shows this trend deepening: 96% of surveyed investors now use ESG integration, covering 87% of their AUM, and RI assets among respondents have grown 15.9% since the previous survey.[3] These figures include both institutional and retail investors, including pension funds and mutual funds, investment managers, and other large investor types. All investors can practice sustainable investment.

The biggest asset owners in Canada are sustainable investment leaders. The following are examples of investors that practice sustainable investment: BCI, CAAT Pension Plan, Healthcare of Ontario Pension Plan (HOOPP), La Caisse (formerly known as Caisse de dépôt et placement du Québec), OMERS, and University Pension Plan (UPP).

Additionally, the Canadian Medical Association (CMA), the Trottier Foundation, the McConnell Foundation, the Sitka Foundation, the Inspirit Foundation, and the Atkinson Foundation are leaders in this space, encouraging mission-aligned investing and using their influence to move the needle on sustainable finance. As prominent granters in the sector, with assets ranging from roughly CAD 35 million to over CAD 700 million, they are increasingly treating the impact of their investments — not just their grants — as a core lever for advancing their missions.

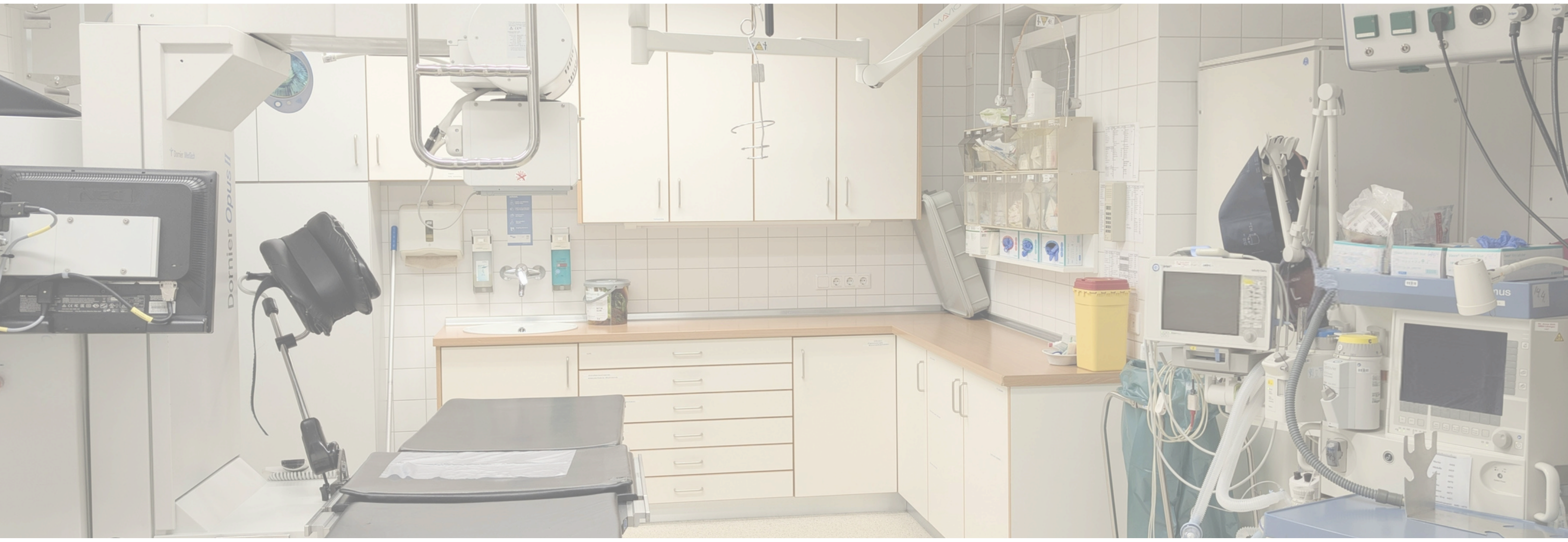
Question 3: Will we have to accept lower financial returns if we invest with a sustainability approach?

Answer:

No, sustainable investment does not mean lower financial returns. Sustainable investment targets market-rate financial returns, with evidence from academic studies, sector research, and sector practice showing competitive performance, often with benefits such as reduced volatility.

Meta-studies examining the relationship between ESG and financial performance at the corporate (asset) level have found positive correlations between stronger ESG performance and operational efficiency, stock performance, and a lower cost of capital. Over long horizons, adopting a sustainable investment approach doesn't require a performance trade-off and can help reduce downside risk and improve liquidity. Considering material ESG factors can deliver similar returns with lower risk and reduced volatility.

We invite you to consult our resource section at the end of this document and review Tool 1 [insert title + weblink] to learn more about financial returns.



Question 4: How does sustainable investment contribute to risk management?

Answer:

Sustainable investment is key to high-quality risk management because ignoring ESG risks creates unmanaged exposure. Integrating sustainability factors helps you identify and manage a broader set of material risks that could impact financial returns that a traditional investment approach might not have considered. This is reflected in industry practice; 85% of survey respondents said their primary reason for considering ESG factors is to minimize risk over time, ahead of improving returns (56%) and fulfilling fiduciary duty (48%)[4].

Question 5: How does climate risk fall into health care foundation directors' fiduciary duties?

Answer:

We believe there are two main reasons to integrate climate considerations into the management of your foundations' capital invested:

1. Your foundation's fiduciaries have a duty to take into account financial risks and opportunities when stewarding assets. In view of widely accepted evidence demonstrating the vast financial implications of climate change, fiduciaries ignore at their peril the financial risks climate change poses to the investments they have a duty to manage. **Regulators of many financial institutions in Canada**, like the Office of the Superintendent of Financial Institutions (OSFI)[5]and the Canadian Association of Pension Supervisory Authorities (CAPSA)[6], **are regulating and increasingly recognizing the importance of climate-related risks.** They are both offering guidance and are taking action towards climate risks. Many studies and papers have demonstrated sustainable investment is aligned with fiduciary duty. We recommend reading the ones linked in the resource section.

2. As responsible stewards, your foundation board members play an important role in safeguarding the foundation's reputation. If it were demonstrated that a foundation's investments are linked to outcomes that do not align with its mission, such as global warming and its impact on people's health, this could adversely affect the foundation's ability to attract and maintain funding.

Question 6: Does adopting a sustainable investment approach mean divesting from high-polluting/high-carbon-emitting sectors?

Answer:

A sustainable investment can use one or many implementation strategies like the ones shown in Text Box 1 (to the right).

Divestment means deliberately selling or excluding certain investments, such as fossil fuel companies or companies engaged in controversial activities.

It can be one implementation strategy, but it is not the most commonly used. Divestment mainly changes who owns the shares: it can help manage portfolio risk and reputation, but there is limited evidence that selling alone reduces real-world emissions. It can also shift high-emitting assets into the hands of less accountable owners.

Staying invested with a clear transition ask, voting stance, and escalation path allows investors to push companies on targets, capex alignment, and disclosure. Many climate strategies now combine structured engagement with time-bound expectations first and targeted divestment as the final step when companies fail to align. For example, Climate Engagement Canada[7] facilitates large-scale engagement with Canada's highest emitters on TSX60.

Text Box 1: Sustainable Investment Strategies*

ESG integration: Explicitly embedding ESG issues into traditional financial analysis. With ESG integration, the investment manager combines ESG data together with traditional financial metrics when assessing a company's risk profile and value.

Negative screening: Exclusion of certain industries or companies from a portfolio, typically based on ethical or moral criteria. For example, many sustainable investment mutual funds exclude tobacco and weapons manufacturers.

Positive screening: Inclusion of certain companies into a portfolio based on positive ESG performance compared to industry peers.

Shareholder engagement: Using shareholder power to influence corporate behaviour directly. For example, filing shareholder resolutions, voting proxies, and engaging in dialogue with companies to improve their ESG performance.

Thematic investing: Investments in ESG themes that are associated with growth, such as women in leadership, clean technology, alternative energy and cybersecurity.

Impact investing: Investments made into companies, organizations, and funds with the intention of generating social and environmental impact alongside a financial return. Impact investments target a range of returns from below-market to market-rate, depending on investors' strategic goals. Examples include: microfinance, affordable housing, healthcare, education, renewable energy and more. Some impact investments could also be categorized as thematic investments.

**Source: Responsible Investment Association (RIA)*

Question 7: What does investor engagement involve in practice, and what outcomes should we expect?

Answer:

Shareholder engagement means using your investor voice and influence to shape how managers and companies in your investment portfolio manage climate and ESG issues.

Engagement can happen at two levels:

1

Underlying companies: Managers use tools, such as voting at annual shareholder meetings or dialoguing with companies, to request better climate governance, credible transition plans, and improved disclosure.

For example, Climate Engagement Canada is a coalition of investors that engages with Canada's 42 largest carbon emitters listed on the Toronto Stock Exchange (TSX).

2

Investment managers: Because you may not select securities in which your foundation will invest directly, a core part of engagement can happen with the investment managers you hire, including:

a) Setting clear expectations on ESG and climate integration at selection and appointment and incorporating policies and capabilities in manager due diligence,
b) Influencing current managers by asking questions on their sustainable investment plans (ESG processes, resourcing, industry participation, stewardship) and
c) Exercise ongoing reviews of current investment managers to track their sustainable investment progress, including proxy voting and industry engagement.

Question 8: Are health care foundations facing reputational risks by failing to adopt a sustainable investment approach?

Recent precedent: A lawsuit against the Canadian Pension Plan Investment Bureau (CPPIB) was filed in October 2025 by four young Canadians who will receive pension benefits after 2050. They are alleging that CPPIB is putting their benefits at risk by mismanaging climate-related financial risks, increasing the risks to the entire portfolio by continuing to invest in fossil fuel expansion, and misrepresenting and failing to disclose its approach to climate-related financial risks.

Answer:

Yes. Stakeholders in general, and donors in particular, expect exemplary behavior from foundations, including investing in alignment with the foundation's mission. First, given **sustainable investment is now the dominant investment practice**, foundations that are not adopting this practice will be increasingly seen as having outdated practices. Second, expectations towards sustainability-related topics is rising across — for example, CanadaHelps reports that 32% of Canadians say climate change or protecting the environment is a top cause for them, and 48% report feeling anxiety about climate change at least somewhat regularly[8] — so questions about whether investments align with a foundation's mission are becoming more common.

Given the wide range of stakeholders health care foundations serve, including patients, families, healthcare workers, donors, and the broader community, **there is a growing expectation that their investment practices reflect their mission and values**. In the context of rising awareness of climate and other ESG risks, and growing climate-related (including health-related) litigation, foundations are likely to face closer scrutiny over how they invest and steward their funds. We believe proactivity and transparency are the best mitigants and a good way to educate stakeholders.

Example of harmful activities:

Tobacco

Companies whose primary business is manufacturing cigarettes and related products, which are directly linked to preventable diseases and death.

Weapons

Defense contractors with significant revenues from weapons systems and munitions are associated with conflict-related injury and loss of life that hospitals then treat.

High greenhouse gas–intensive energy-related assets

Economies, companies, and policies that produce energy and products from coal, oil, and natural gas — for example, large oil and gas producers such as Shell[9], or jurisdictions facing youth climate challenges like Ontario in the Mathur case[10] — contribute to climate change, which is widely recognized as a major systemic public-health risk.

Question 9: If the health care foundation's investment activities are earning good financial returns, why would we want to change our processes? What motivates change if 'things are working well'?

Answer:

Investment practices are evolving; sustainable investment is now mainstream in Canada. Stakeholder expectations are also rising, as donors, clinicians, staff, and patients increasingly question investments that appear to harm health, and strong returns do not prevent reputational damage. Updating processes doesn't mean abandoning what works; it means tightening governance, setting clear expectations for your managers, and improving transparency so that good financial performance is matched by resilient, mission-consistent portfolios.

Even if your foundation's investments are earning good financial returns today, that alone doesn't address future risks, mission alignment, or reputation. Foundations could be accused of earning good financial returns at the expense of the environment.

Climate-, regulatory-, litigation-, product-, and social-related risks often only become visible after years in which investments appear to be performing well on a purely financial basis. **Strengthening sustainable investment and stewardship processes is about identifying and managing these risks before they crystallize and jeopardize long-term returns.**

If foundations ignore them, they risk criticism for failing to adequately consider climate and other ESG risks, potentially putting beneficiaries' long-term financial interests at risk.

Question 10: What expectations should health care foundations set for their investment managers regarding sustainable investment?

Answer:

Health care foundations should reasonably expect investment managers to protect long-term financial value and avoid worsening health outcomes. In practice, it means having a clear, sustainable investment approach, integrating material sustainability risks into decisions, and being transparent about what they are doing on the foundation's behalf. Here are indicators of sustainable investment practices at the investment manager's level:

- Presence of a written sustainable investment policy
- Integration of material ESG risks into research, portfolio construction, and monitoring
- Implementation of common exclusions, such as tobacco or controversial weapons
- Active voting and engagement activities with portfolio companies on key issues, including those relevant to health
- Transparency with reports on sustainable investment, ESG integration, and stewardship activities and results shared at least on an annual basis

Question 11: Is it possible to adopt a sustainable investment in a passive investment strategy (for example, for exchange traded funds or ETFs)?

Answer:

Yes, it is possible to adopt a sustainable investment approach in passive investment strategies. First, passive investing still requires selecting which index to benchmark against. Many indices that integrate environmental, social, and governance (ESG) factors are available. Second, foundations can review how stewardship is exercised. This means looking at how the passive investment strategy votes and engages companies and entities in which it invests. It can also mean excluding some assets and tilting positively towards others.

Question 12: What are some of the critiques of sustainable investment?

Answer:

Not everyone is convinced of the merit of sustainable investment. Amongst the most frequent critics, we find the following with our opinion:

1. Some studies suggest ESG funds may underperform in certain market conditions, especially over time periods when traditional sectors, such as energy, outperform. Our take: That can be true of any investment strategy and is not specific to ESG.

2. Lack of standardization and transparency coming from, for example, varying ESG ratings and metrics, which can lead to inconsistent conclusions. Our take: ESG information is relatively newer than traditional financial information, so it is true that it is not as standardized. However, there is a growing set of standards and frameworks out there, starting with the International Foundation for Reporting Standards (IFRS). It is a fast-evolving field. Professional associations, such as CFA, now offer education and credentials.

3. Prioritizing ESG factors could limit the investment universe, potentially reducing diversification and returns. Our take: reducing the investment universe is commonly called divestment. See our Q&A 6 for more on that topic.

RESOURCES

Foundational definitions and market trends

- Principles for Responsible Investment (PRI): What are the Principles for Responsible Investment?
    - The PRI is a global organization, supported by the United Nations, that works to build a more sustainable financial system by helping investors incorporate environmental, social, and governance (ESG) issues into investment practices. It has over 5,000 signatories worldwide, representing around USD 140 trillion in AUM. This source is a global reference on what responsible investment is and the six principles.
- Responsible Investment Association (RIA): Intro to Responsible Investment (RI)
    - RIA is Canada's industry association for responsible investment, representing investment managers, asset owners and advisors committed to integrating ESG. Its institutional members collectively manage more than $45 trillion in assets globally (2025). This source is a plain-language overview of RI and ESG in a Canadian context.
- Responsible Investment Association (RIA): 2024 Canadian Responsible Investment Trends Report
    - Data on RI growth, drivers (risk, returns, fiduciary duty), and market share

Fiduciary duty and legal context

- McCarthy Tetrault: Climate Change: Legal Implications for Canadian Pension Plan Fiduciaries and Policy-Makers
    - Legal perspective on climate risk and fiduciary duty in Canada (transferable to other asset owners)

Health sector and mission alignment

- Canadian Medical Association (CMA): How the CMA's investment team is driving more sustainable health care
    - Case example linking portfolios, decarbonization and health system sustainability

Performance and "no trade-off" evidence

- McKinsey & Company: How do ESG goals impact a company's growth performance?
  - Links between ESG, growth, and shareholder returns
- Morgan Stanley: Sustainable Reality
  - Analysis of sustainable funds' risk/return vs traditional funds
- New York University (NYU) STERN: ESG and Financial Performance
  - Meta-study summarizing ESG–performance evidence

Divestment and engagement

- Principles for Responsible Investment (PRI): An introduction to responsible investment screening and exclusions
  - Understanding screening and exclusions in responsible investment
- Principles for Responsible Investment (PRI): The effectiveness of divestment strategies
  - When divestment works, limits, and role alongside engagement
- Financial Times: Business school teaching case study: Divestment or engagement?
  - Case-based discussion of trade-offs between the two strategies
- Evidence on Divestment Motives: An Overview
  - Academic review of why investors divest and what it achieves
- Net Zero Asset Owner Alliance (NZAOA): The Future of Investor Engagement
  - How leading net-zero asset owners see engagement evolving

Asset owners, managers & stewardship

- Principles for Responsible Investment (PRI): Asset owner guide: Investment manager selection
  - How to integrate ESG into manager selection and monitoring
- Principles for Responsible Investment (PRI): Evaluating managers' stewardship for sustainability
  - What "good" voting and engagement look like
- Principles for Responsible Investment (PRI): Improving responsible investment through manager engagement
  - How asset owners can use engagement as part of RI
- Principles for Responsible Investment (PRI): How asset owners and their managers can work together on ESG goals
  - Practical guidance on roles and expectations in the mandate relationship
- Principles for Responsible Investment (PRI): Developing and updating a responsible investment policy
  - Elements of a robust RI policy for asset owners
- Principles for Responsible Investment (PRI): ESG & Passive Investment Strategies
  - Identifies best practice solutions for passive investors with a focus on responsible investment

Climate resources for healthcare

- Environmental Stewardship Guidebooks
- Climate Emergency Jumpstart Kit
- Environmental Stewardship: An Implementation Guide for Boards, Executive Leaders, and Clinical Staff

REFERENCES

[1] Material means sustainability factors that can significantly affect the current and future financial, economic, reputational, and legal circumstances of an issuer, security, investment, or asset class.

[2] 2024 Canadian RI Trends Report (2024)

[3] 2025 Canadian RI Trends Report (2025)

[4] 2025 Canadian RI Trends Report (2025)

[5] OSFI: Office of the Superintendent of Financial Institutions

[6] CAPSA: Guideline for Risk Management for Plan Administrators

[7] Climate Engagement Canada

[8] CanadaHelps: The Giving Report 2024

[9] ClientEarth: ClientEarth sued Shell's board (2023-2025) for breaching fiduciary duties by inadequate climate strategy/transition plans, risking long-term value, the first global case targeting directors (UK courts dismissed procedurally, but risk persists).

[10] Ecojustice: Ontario government must answer for its climate record in historic youth climate case

ABOUT THIS TOOL

This tool was co-developed with the Canadian Coalition for Green Health Care to empower health care foundation boards across Canada to learn and build capacity to integrate sustainable investment practices and align the capital they manage with their foundation's health-focused missions.

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