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COVID-19 shifts investor focus and impacts cost of capital for businesses, finds Millani from interviews with leading Canadian institutional investors.

Record-breaking inflows into sustainable funds¹ must not be ignored by business leaders.

Montreal, May 26, 2020 – Millani released a research report today on the perspective of Canadian institutional investors on their current priorities and expectations towards corporations. The findings were gathered from interviews conducted between April 20th to April 30th, 2020, with 23 institutional investors from across Canada, both asset owners and managers, representing \$2.3 trillion of assets under management.

Investors acknowledge that this is an extremely challenging time for companies. Amidst the pandemic, the value of social issues has become clearer than ever. While governance and the environment, respectively the “G” and “E” in ESG, were predominant prior to the pandemic, the social aspects of businesses, the “S”, are now top of mind for investors. These “social” factors are already being more closely assessed and integrated into financial models, which will impact both the cost and access to capital for corporate issuers.

“The COVID-19 pandemic has clearly broadened institutional investors’ attention towards valuing ‘social’ issues. The interconnectedness between business performance and doing the right thing for employees, customers and suppliers has now become undisputable for investors,” says Milla Craig, President and Founder of Millani.

“With 74% of investors highlighting that they expect momentum for ESG investing to continue, we now believe that even more attention and resources from the mainstream financial community will turn to ESG. Boards and business leaders can expect enhanced scrutiny not only around how they handled the crisis, but more generally around how they integrate ESG into their business strategy” she added.

Most institutional investors (65%) expect companies to enhance their ESG disclosure, enabling them to continue making informed decisions in the months ahead. Investors foresee a need for complete transparency and clearly express the desire for more accurate, reliable, and complete quantitative ESG metrics, aligned with recognized standards and frameworks. A substantial percentage of investors (78%) have maintained or increased their engagement activities since the beginning of the pandemic. In this context, companies with best-in-class ESG disclosure will stand out from their peers.

Investors are also looking for evidence of business model adjustments and product innovation in response to rapid market shifts. The roles of Boards of directors are likely going to be redefined as this crisis has clearly highlighted the strength of governance practices as they relate to business resiliency, continuity, scenario planning and risks management.

¹ Morningstar, Sustainable Investing Quarterly Webinar: Investing Amid the Pandemic, 7th, May 2020.

“This research reinforces what we are seeing in the market, as investors double down on sustainability and social responsibility,” said Dustyn Lanz, CEO of the Responsible Investment Association. “Most large, sophisticated investors are now incorporating ESG factors into their investment decisions, and pressure is mounting for those that have been sitting on the sidelines. I expect this crisis to accelerate the shift towards ESG and sustainable finance, as investors feel a greater sense of urgency around societal issues. In turn, companies that provide robust disclosures of material ESG information will boost their reputation and position themselves as attractive long-term investments.”

“Through collaboration with leading experts such as Millani, we stay abreast of the trends in the Canadian market and the environment in which our members operate,” says Jacques Deforges, Chief Executive Officer of Finance Montreal. “The best investment decisions rely on the quality of data provided by corporations. Through our Finance and Sustainability Initiative (FSI) and its Annual Award for Best Sustainable Development Report, we celebrate those corporations who go above and beyond in their ESG disclosure. This newly released report illustrates just how critical such disclosure will be for corporations who wish to stand out from their peers and ensure the longevity of their business models.”

Related Links

Webinar and live discussion of the research results:

<https://register.gotowebinar.com/register/296666236130826767>

ABOUT MILLANI

Millani provides advisory services on ESG integration to both investors and companies. For the past 12 years, Millani has become the partner of choice for institutional investors. By providing advisory services on integrating material ESG issues into their investment strategies and decision-making processes, we help our clients reduce risks, increase returns, and create value. Millani is also leveraging this expertise and its experience in ESG consulting to help reporting issuers improve their ESG disclosure to financial stakeholders and optimize their market value.

ABOUT FINANCE MONTREAL

Created in 2010, Finance Montréal, Québec’s financial cluster, has a mission to make Montréal a world-class financial hub, and foster cooperation among its member institutions to accelerate the industry’s growth. The organization engages in international business development activities to attract foreign financial companies to Montréal by promoting various tax incentives including the IFC tax credit. It also administers the Montréal FinTech Station, a development center for businesses in the financial technology sector. Finance Montreal’s Finance and Sustainability Initiative is dedicated to promoting sustainable finance, and more particularly responsible investment, to financial institutions, companies and financial professionals. Its activities are based on a collaborative approach, centered on education, professional development, research and partnerships with stakeholders from Quebec ecosystem. To learn more about Finance Montréal, visit www.finance-montreal.com.

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