



Climate & your Cash:

Learning how to build
climate aware portfolios

Adnan Shaikh

Associate Wealth Advisor

Webster Reid Advisory Team

National Bank Financial

Laying the foundation: Key themes to focus on

1. Renewable Energy & Electrification

- **Opportunities:** Solar and wind power producers, battery storage systems, smart grids, and electrification of transport (EVs and charging infrastructure)

2. Energy Efficiency & Green Buildings

- **Opportunities:** Companies in HVAC optimization, smart building technologies, insulation, and energy-efficient appliances

3. Climate Adaptation & Resilience

- **Opportunities:** Water infrastructure, flood defenses, resilient agriculture

4. Low-Carbon Technologies & Industrial Decarbonization

- **Opportunities:** Carbon capture, utilization and storage (CCUS), green hydrogen, and circular economy solutions

5. Sustainable Finance & Green Bonds

- **Opportunities:** Green bonds, sustainability-linked loans, and funds focused on ESG integration

Direct ownership, Exclusionary screens and Impact investing

1. Direct Investment:

Investing in companies leading in sustainability, like renewable energy & resource management, offers clear ownership insight and enables shareholder influence on climate actions.



**Direct
Ownership**

2. Exclusionary Screens:

Avoiding companies that conflict with climate goals, such as fossil fuels, aligns investments with values and reduces risk from stricter regulations.



**Exclusionary
Screens**

3. Impact Investing:

Focusing on investments that actively generate measurable environmental benefits, such as reducing emissions or supporting sustainable projects.



**Impact
Investing**

How do you build: Research, research, research

A. For the “Do it yourself investors”

Embrace:

1. Getting into the weeds
2. Review Sustainability reports of companies.
3. Review screening criteria of funds and ETFs

A. For the “investors partnered with advisors”

Embrace:

1. Conversations about their approach.
2. How does the advisor/team manage risk
3. Reviewing suitability of investments together

B. For the “Do it yourself investors”

Avoid:

1. Falling for greenwashing labels
2. Creating rigid investment constraints
3. Only focusing on “Environment”

B. For the “investors partnered with advisors”

Avoid:

1. ESG marketing material
2. Creating rigid investment constraints
3. Only focusing on “Environment”

What does it look like: Direct ownership

- **Apple Inc. (AAPL):** A leader in circular economy, aiming to use 100% recycled and renewable materials, with 24% recycled content in 2024 and advanced recycling technologies.
- **Waste Connections (WCN):** Manages waste by recycling millions of tons and converting organic waste to renewable energy, powering about 312,000 homes annually.
- **Pentair (PNR):** Focuses on sustainable water solutions, reducing water use by 32.8% and emissions by 51.3%, promoting water reuse and resilience.
- **Stantec (STN):** Specializes in sustainable building design, supporting net-zero goals, energy retrofits, and carbon reduction, helping cut emissions from buildings.



What does it look like: Exclusionary screens

- **Exclusionary Screens in ESG Indexes** remove companies or sectors that violate sustainability principles, like Fossil fuels, Tobacco, Weapons, Gambling, Nuclear, Adult entertainment and Alcohol ensuring values-based investing and lowering climate risks.
- **ESG Ratings** from providers like MSCI and Morningstar assess companies on Environmental, Social, and Governance factors to help select firms with strong ESG performance and avoid companies that are controversial in nature.
- Key distinction: best of the best approach and best of the worst approach.
- Providing investors, with transparency, access and alignment.



What does it look like: Exclusionary screens

- MSCI ESG Choice Index
 - **Methodology:** Starts with the MSCI parent index and applies **strict exclusionary screens** (controversial weapons, tobacco, fossil fuels, severe ESG controversies, UN Global Compact violations).
 - Includes companies with **higher MSCI ESG ratings** (BBB or above) and uses **market-cap weighting**.
 - XCSR – iShares ESG Advanced MSCI Canada Index ETF
 - XDSR – iShares ESG Advanced MSCI EAFE Index ETF
- S&P ESG Index
 - **Methodology:** Based on the S&P 500 or S&P/TSX Composite, targeting **top 75% of float-adjusted market cap within each industry group** ranked by **S&P Global ESG Scores**.
 - Applies exclusions for controversial sectors and UN Global Compact breaches but **retains sector neutrality** to mirror the parent index.
 - ESG – Invesco S&P 500 ESG ETF
 - ESGC – Invesco S&P/TSX Composite ESG Index ETF



What does it look like: Impact investing

- Impact investing seeks to generate **positive social and environmental outcomes alongside financial returns**, focusing on areas like renewable energy and social equity.
- **iA Clarington and NEI Investments** lead responsible investing in Canada by actively engaging with companies to **improve ESG practices through proxy voting, dialogue, and collaboration**.
 - iA Clarington has an entire series of Inhance SRI Funds that have fully divested from the fossil fuel industry since 2015 offering equity, bond and multi asset class funds
 - NEI Investments offers similar mandates however separates some of its equity offerings between environment sustainability and corporate stewardship
- **National Bank Investments** integrates **global sustainability frameworks** into its investment solutions to ensure alignment with long-term climate and social goals.

Impact Investing



**Impact
Investing**

iA Clarington

**NATIONAL BANK
INVESTMENTS**

**NEI
INVESTMENTS.**

What does it look like: Impact investing

- **UN Sustainable Development Goals (SDGs):** NBI creates sustainable funds focused on SDGs like Climate Action, Clean Energy, and Responsible Consumption by using thematic investing and impact strategies.
- **Net Zero Asset Managers (NZAM) Initiative:** NBI pledges to align portfolios with net-zero emissions by 2050, including carbon reduction targets and engaging companies on climate risks.
- **Implementation:** NBI offers portfolios and funds that integrate ESG, exclusionary screens, and shareholder engagement to support climate and social goals while seeking competitive returns.
 - Largest most diverse actively managed ESG focused ETF's and funds in Canada
 - Blending fossil fuel free screening with SDG's and NZAM initiatives
 - National Bank financed more renewable energy than fossil fuel projects and was the only bank to do so in 2024 carrying a ratio of greater than 1

Impact Investing



**Impact
Investing**

iA Clarington

**NATIONAL BANK
INVESTMENTS**

**NEI
INVESTMENTS.**

Bringing it all together

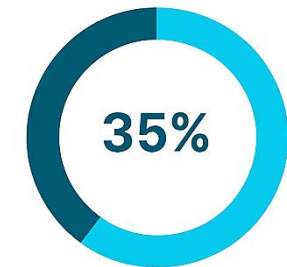
- Your portfolio is to be managed as per your risk tolerance and time horizon.
- Your optimal portfolio allocation comes down to:
 - Understanding of the investment landscape
 - What is your investment criteria
 - How many different types of investments do you want to hold
 - How is it managed (passively or actively)

The Evolution of a Climate-Aware Investor

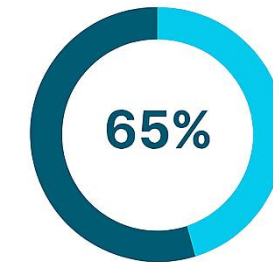
Portfolio Allocation Over Time



Early Career



Mid-Career



Early Retirement



Golden Years

Portfolio Allocation Over Time



Stocks



ETFs/Funds





Thank you



WEBSTER REID
ADVISORY TEAM
Personalized Strategies - Financial Strength