

## NEW CANADIAN INVESTOR SURVEY TAKES AIM AT SHAREHOLDER PRIMACY

- *91% of Canadian institutional investors agree that maximizing shareholder returns can no longer be the primary goal of a corporation*
- *90% require companies to demonstrate that they attract and retain the very best and brightest talent*
- *81% agree that companies with activist employees are less attractive as prospective investments*
- *66% have increased their investment in companies excelling against ESG KPIs*

TORONTO, ON, December 4, 2019 – Canadian institutional investors no longer want shareholder needs to be prioritized above the needs of all other stakeholders, according to the Edelman Trust Barometer Special Report: Institutional Investors. The report notes that 91% of Canadian institutional investors agree that maximizing shareholder returns can no longer be the primary goal of a corporation, and that business leaders must balance the needs of shareholders with those of employees, customers, suppliers and local communities to drive long-term business success and lower the risk of multi-stakeholder activism.

“The Edelman investor trust data is clear, companies can no longer focus on shareholders above all other stakeholders,” said David Ryan, Executive Vice President, Corporate and Financial Communications at Edelman. “Canadian institutional investors are looking at how companies treat every one of their key stakeholder groups to measure the attractiveness of their investment value proposals. A healthy corporate culture, strong talent retention, customer service and community impact are looked at just as closely as financial KPIs. It is apparent that companies need to nurture all of their stakeholder groups equally to drive long-term success.”

The research surveyed 607 institutional investors, including financial analysts, chief investment officers and portfolio managers across six countries (U.S., Canada, U.K., Germany, the Netherlands and Japan), representing firms that collectively manage over \$9 trillion in assets.

Key highlights from the Canadian findings of the Edelman Trust Barometer Special Report: Institutional Investors include:

### **Companies prioritize shareholders above other stakeholders at their peril**

91% of Canadian institutional investors agree that maximizing shareholder returns can no longer be the primary goal of a corporation, and that business leaders must balance the needs of shareholders with those of employees, customers, suppliers and local communities to drive long-term business success. 81% of investors agree that companies with activist employees are less attractive as prospective investments with a further 79% believing most companies are not prepared for this increasingly common type of activism.

### **Canadian investors are increasingly active, but companies are still ill-prepared**

Shareholder activism in Canada is alive and well with 86% of survey participants ready to support a reputable activist investor if they believe change is necessary at a company they invest in or recommend investing. 86% of investors believe their firm’s actions can have a meaningful role in influencing a company’s operating performance and a further 79% as a firm are interested in becoming increasingly activist in their approach. Despite clear evidence of rising activism, 80% of survey participants state that most companies are not prepared to handle activist campaigns.

### **ESG performance is an investment catalyst when operational indicators are healthy**

Although only 34% of Canadian investors identify a positive correlation between ESG disclosure and operational performance, two thirds of participants stated that they have increased their investment allocation to companies excelling against ESG KPIs. 60% of investors vote their shares more often for board candidates they believe will increase the company's attention to ESG issues and just over half of investors vote their shares more often to support ESG-related policy initiatives.

### **People are at the very heart of Canadian institutional investing**

Canadian institutional investors revealed themselves to be highly people-centric when assessing an investment's ESG performance. 90% require companies to demonstrate that they attract and retain the very best and brightest talent and almost half of respondents look for companies to both enforce a corporate code of conduct throughout all organizational levels and maintain a healthy company culture. Further, over a third of investors want companies to showcase how they are actively addressing real-world societal issues.

### **Leadership is under the microscope like never before, and considered tools for activism**

CEOs (50%), Heads of Strategy (50%) and CFOs (44%) are perceived as the most important stewards of corporate trust with the Board of Directors following closely in their footsteps (38%). Although investors focus primarily on Executives to drive trust, 81% of survey participants admitted that they must trust a company's Board of Directors before making or recommending an investment. 48% of investors' activism initiatives most often focus on nominating alternative Board directors in order to align Leadership with their interests and a further 44% will vote against executive compensation packages if companies are not meeting shareholder objectives.

### **So how do companies help strengthen trust in leadership?**

Survey participants trust companies more when board and executive leadership has stock ownership positions (48%), financial performance-linked compensation (48%) and diverse board and executive management teams (47%). Investors looking for a high level of leadership diversity primarily assess the range of business area expertise (61%) and strategic philosophies (55%) on offer.

### **Strong communications can bank investor trust, even during corporate underperformance**

Two thirds of investors state that transparent ESG disclosure practices cannot disguise poor operational performance. However, investors do believe companies can take trust into their own hands by executing rapid, back-to-basic operational decisions in combination with thoughtful, contextual communications to strengthen capital market relationships throughout uncertain times.

### **About Edelman Trust Barometer Special Report: Institutional Investors**

The Edelman Trust Barometer Special Report: Institutional Investors is based on an online quantitative survey of 607 institutional investors in the U.S., Canada, U.K., Germany, Netherlands, and Japan. Participants included financial analysts (38 percent), chief investment officers (33 percent), portfolio managers (15 percent), directors of research (7 percent) and investment stewardship (6 percent). Respondents represent firms that manage assets ranging from less than \$500 million to more than \$50 billion USD. Data Fieldwork was conducted by Edelman Intelligence between August 30 – September 30,

2019. The report is a supplement to the Edelman Trust Barometer launched annually in January at the World Economic Forum. The report is a supplement to the [Edelman Trust Barometer](#) launched annually in January at the World Economic Forum.

### **About Edelman’s Financial Communications Practice**

[Edelman Financial Communications & Capital Markets](#) is a boutique strategic consultancy with the reach and resources of a leading global communications marketing firm. We advise public and private companies on strategic and capital markets communications to help effectively position them with the financial community during transformative events as well as during the normal course of business.

Clients choose to work with us because of our specialized and experienced financial communications team, our ability to provide the full range of Edelman’s services (such as [digital and social media](#), [public affairs](#) and [employee engagement](#)) as well as our ability to access Edelman’s global network with more than 65 offices around the world.

### **About Edelman**

[Edelman](#) is a leading global communications marketing firm that partners with many of the world’s largest and emerging businesses and organizations, helping them evolve, promote and protect their brands and reputations. Among its many honors, the firm was awarded the Cannes Lions Grand Prix for PR, named one of 2018 “Agencies to Watch” by Advertising Age and “Global Agency of the Year” by both the Holmes Report and PRWeek, and cited five times by Glassdoor as one of the “Best Places to Work.” Edelman owns specialty firms Edelman Intelligence (research) and United Entertainment Group (entertainment, sports, lifestyle).

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