

## SPECIAL REPORT:

# Institutional Investors

**Canada Results**  
November 2020

Edelman Trust  
Barometer **2020**



# Institutional Investor Trust Report

Methodology

**N=600 Institutional Investors**

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**Online quantitative study among**

Canada n=100

U.S. n=100

U.K. n=100

Germany n=100

Japan n=100

Netherlands n=100

**Fielded from September 3<sup>rd</sup> to  
October 9<sup>th</sup>, 2020**

The margin of error for survey results, at the 95% Confidence Level:

6-Market Global Average: +/- 4%

United States, United Kingdom, Canada, Germany, Japan, Netherlands: +/- 9.8%

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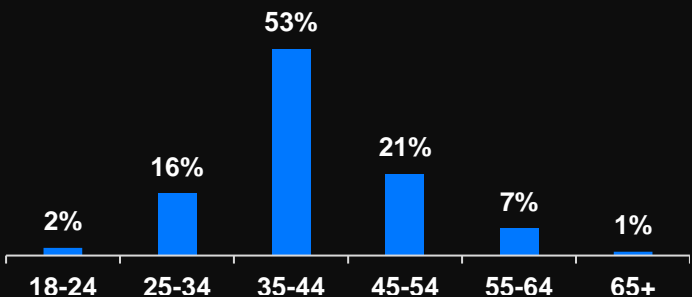
<b>Has COVID made ESG a Luxury?</b>	<b>05</b>
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# Canada Investor Profile

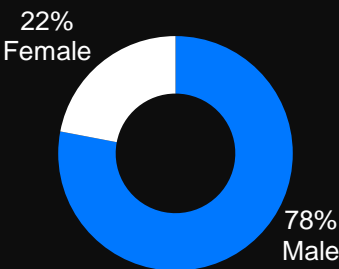
## Primary Investment Style

Growth	33%
Value	16%
GARP	13%
Hedge	12%
Activist	11%
Industry-specific	8%
Quantitative/Index	7%

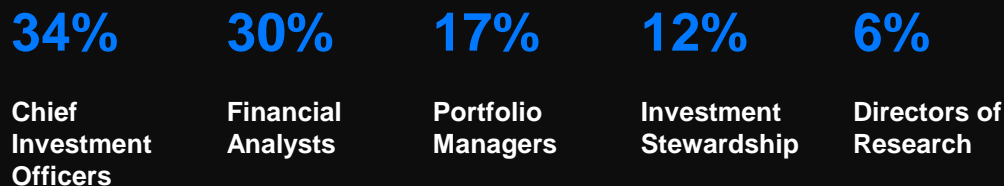
## Age



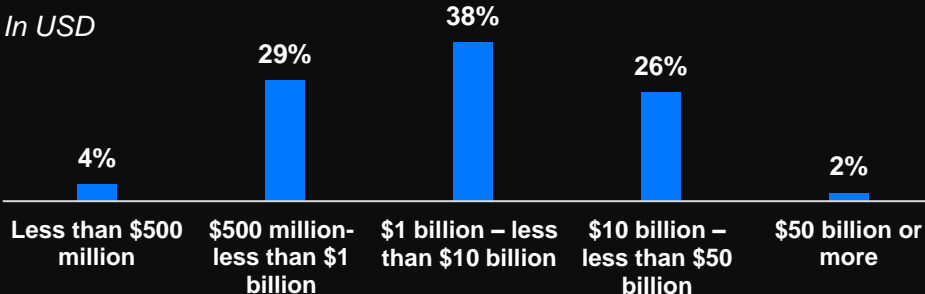
## Gender



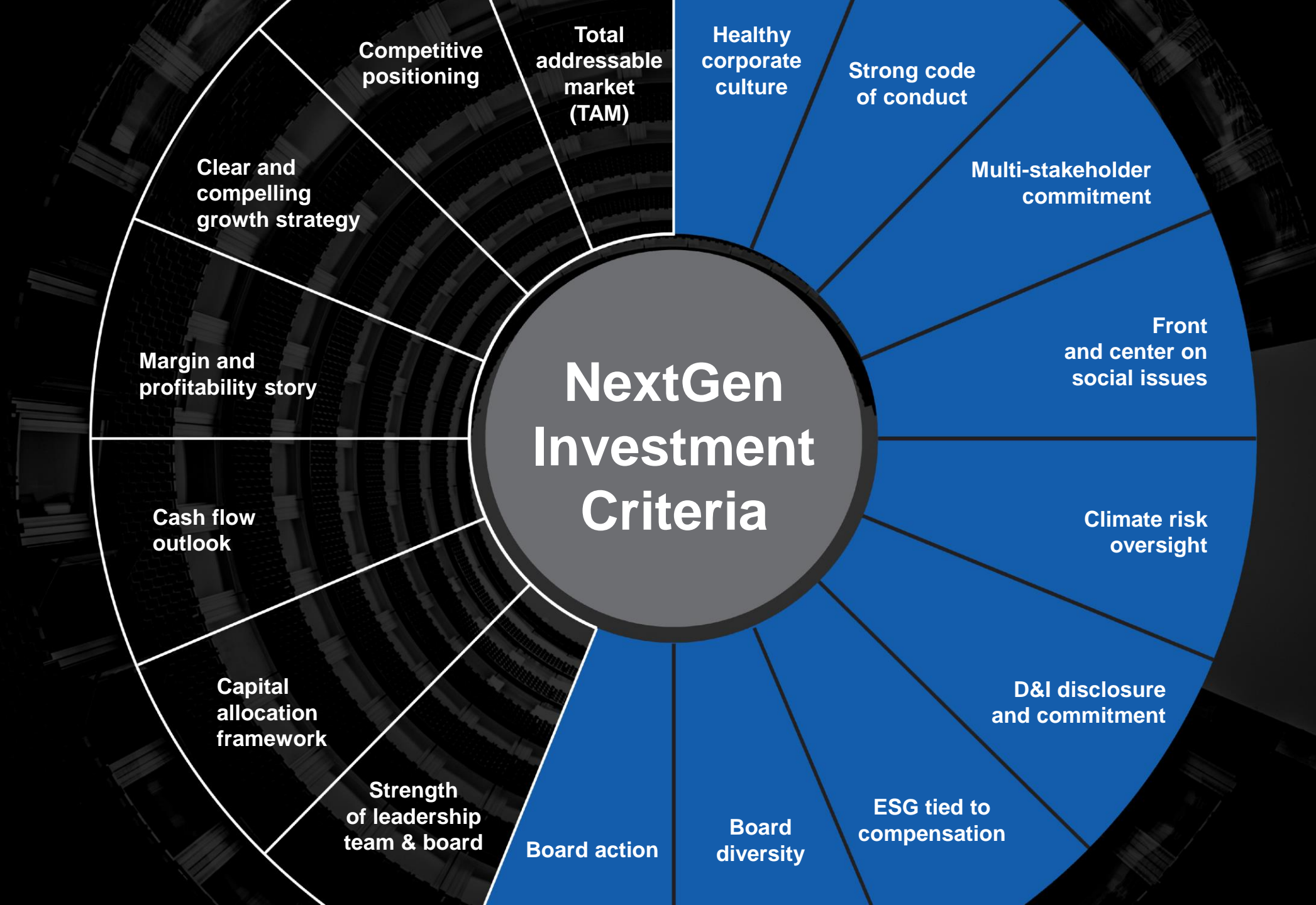
## Respondents' Job Titles



## Organizations' Assets Under Management



Edelman Trust Barometer Special Report: Institutional Investors  
S1: What is your approximate age range?  
S7: In your current job, approximately how much are your institution's investable assets?  
S8: Which of the following best describes your position or level within your company or organization?  
D2: What is the primary investment style for the funds you manage on behalf of your organization?  
D4: What is your gender? Canada n=100







# Has COVID Made ESG a Luxury?

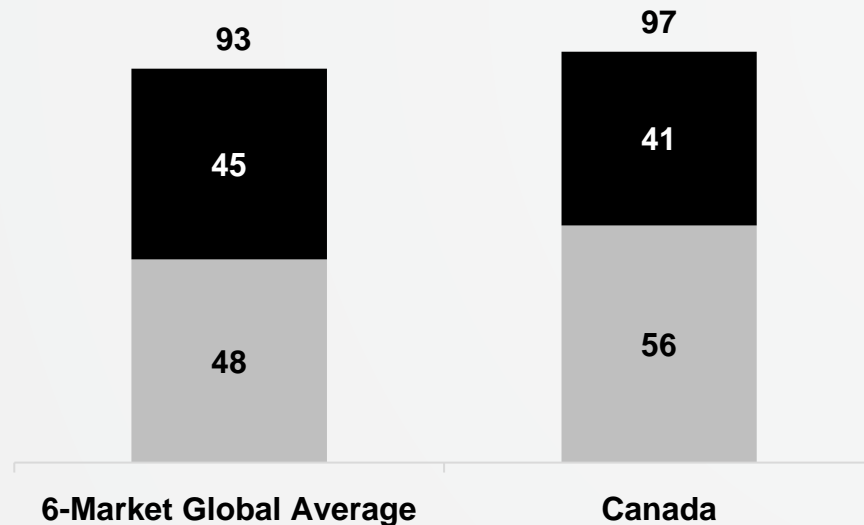
Edelman Trust Barometer  
Special Report: Institutional Investors

# ESG TEMPORARILY SIDELINED BY INVESTORS DUE TO COVID IMPACTS

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“Given the current market environment, I have changed my investment strategy relative to last year”



Given the impact of COVID-19 on the economy...

**95%** Of Canadian investors say **their firm is currently deprioritizing ESG** as an investment criteria  
83% of 6-Market Global Average

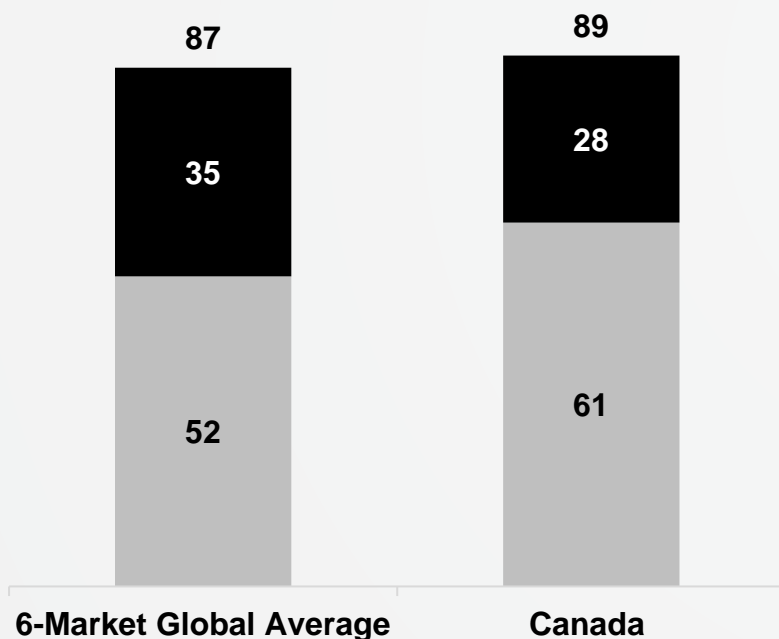
**93%** Of Canadian investors say **the companies they invest in have deprioritized ESG initiatives**  
81% of 6-Market Global Average

# ...BUT ESG IS CERTAINLY NOT A CASUALTY OF COVID

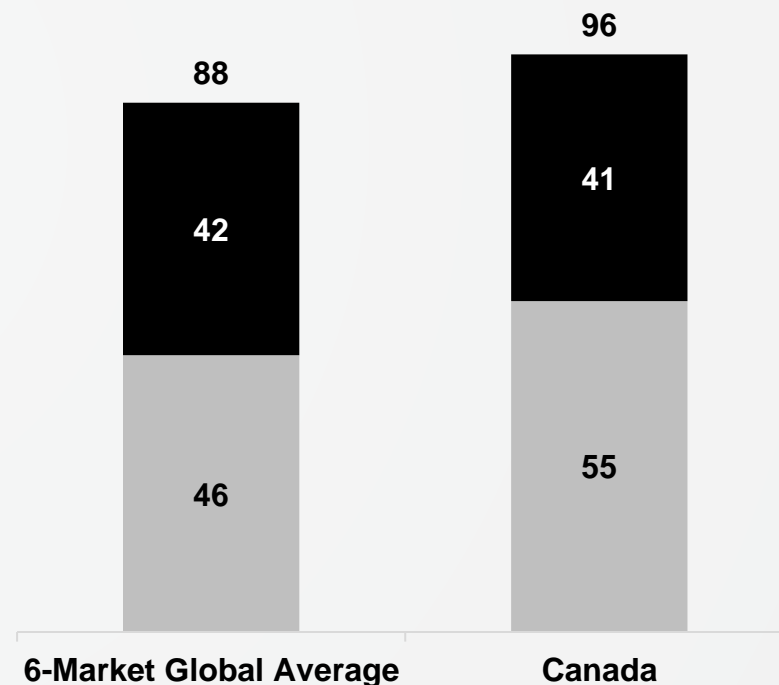
Percent who agree

■ Somewhat Agree ■ Strongly Agree

**“My firm actively invests in companies that have reduced their near-term return on capital (e.g., reduced dividend, share buybacks etc.) in order to reallocate capital to ESG initiatives”**



**“My firm monitors specific ESG key performance indicators (KPIs such as carbon emissions reduction or diversity targets) to inform investment decisions on an ongoing basis”**

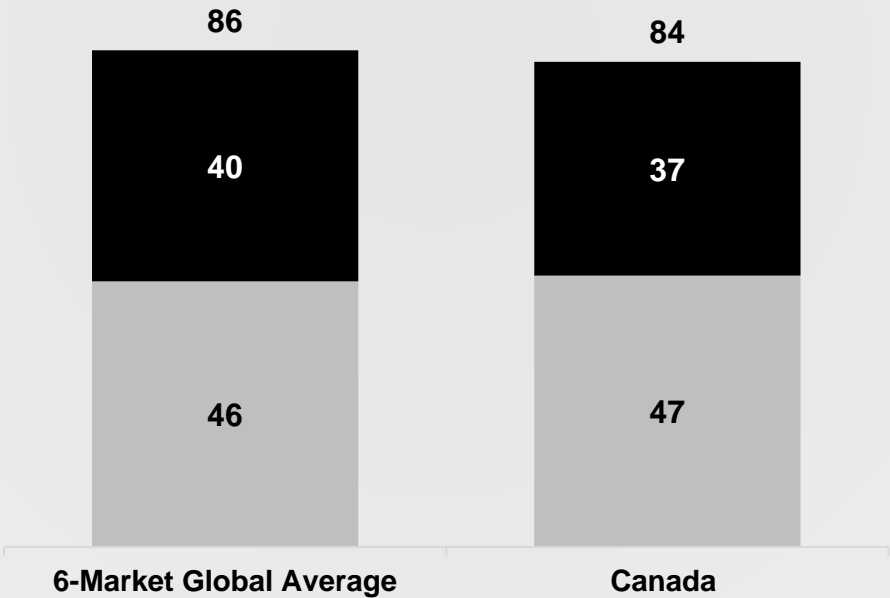


# FOR PROFITABLE COMPANIES, THE BAR FOR ESG FACTORS IS HIGHER

Percent who agree

■ Somewhat Agree ■ Strongly Agree

**“Profitable companies have a greater responsibility to address ESG issues than companies that are unprofitable/struggling”**



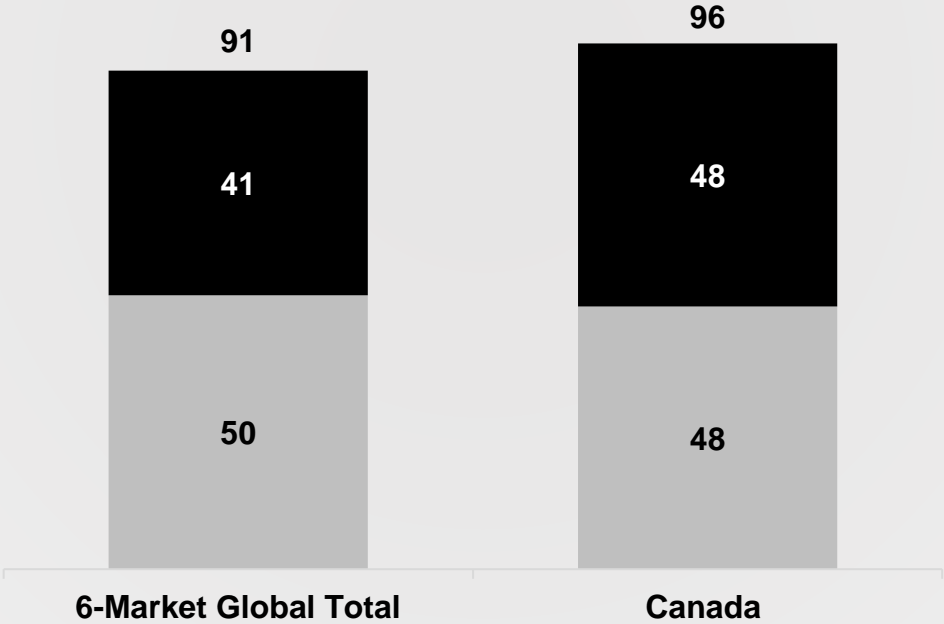


# CANADIAN INVESTORS SEE ESG ADDING RESILIENCE IN A CRISIS

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“A company with strong ESG performance is more resilient in a crisis”





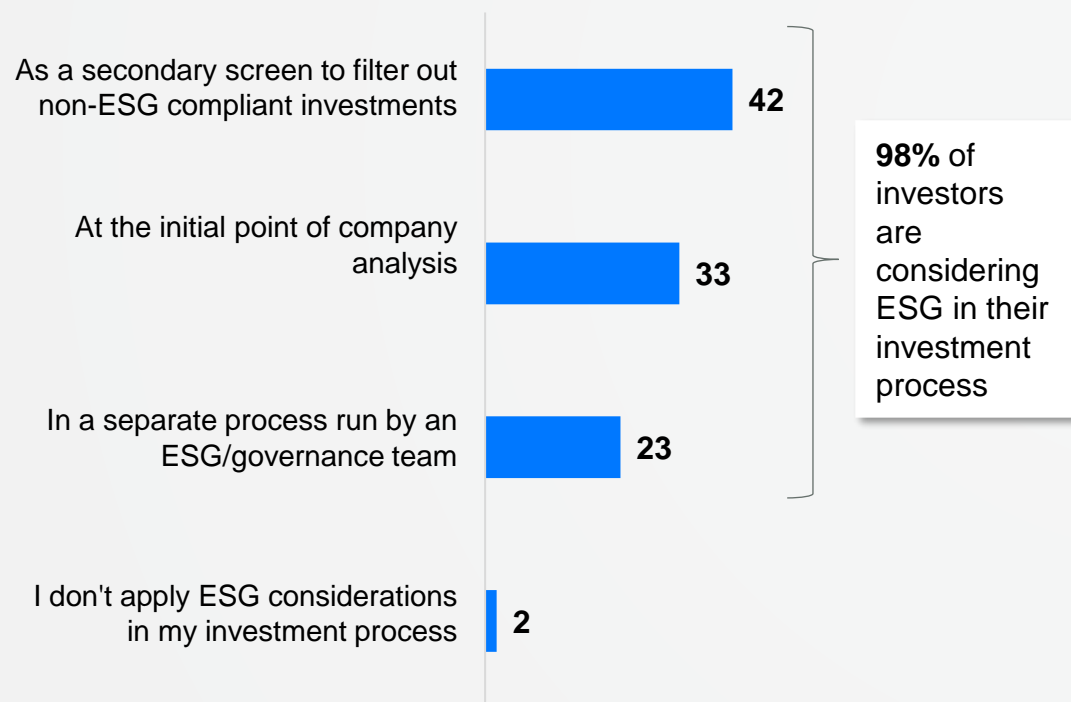
# ESG Factors the New Norm

Edelman Trust Barometer  
Special Report: Institutional Investors

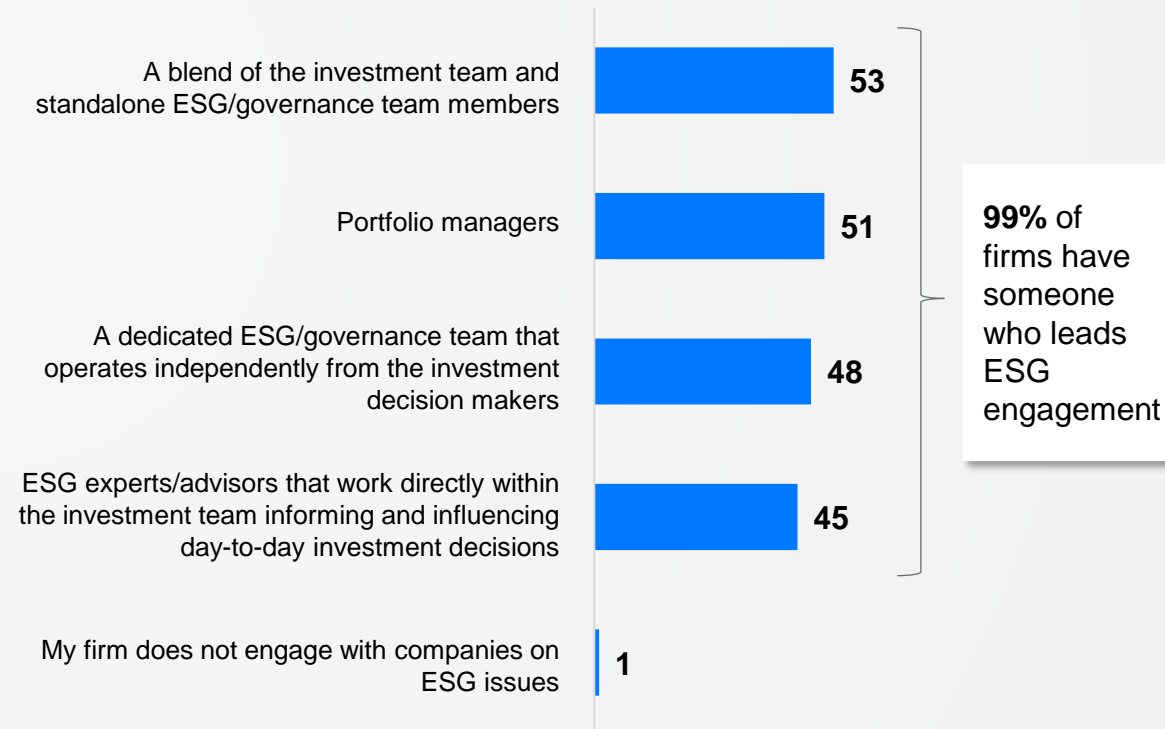
# ESG INTEGRATION HAS ARRIVED IN CANADA

Percent who selected among Canadian investors

## Point at which ESG Considerations are Applied in Investment Process



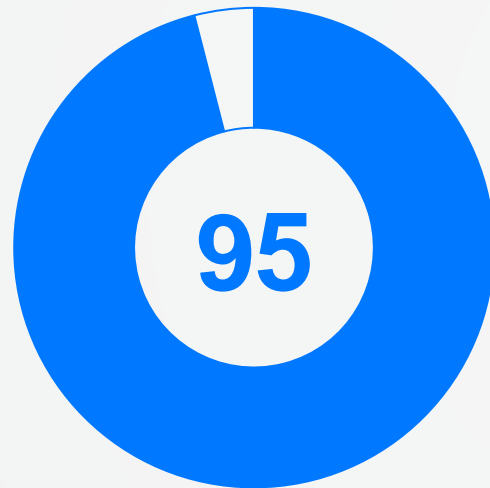
## Leader of ESG Engagement in the Firm



# AS WE RECOVER, INVESTOR FOCUS ON ESG IS EXPECTED TO INTENSIFY

Percent who agree among Canadian investors

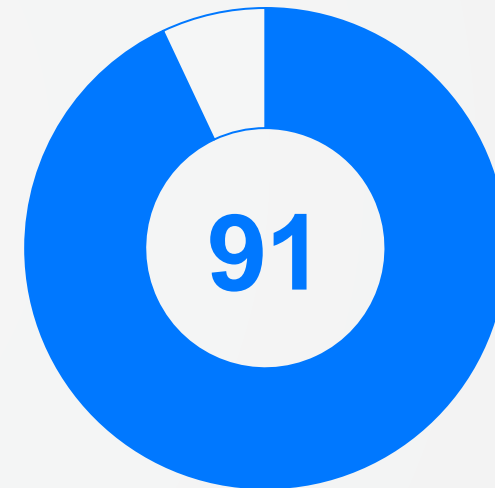
As we recover from COVID-19...



Of Canadian investors expect **their firm to increase prioritization of ESG as an investment criteria**

91% of 6-Market Global Average

&



Of Canadian investors expect **the companies they invest in to increase their prioritization of ESG initiatives**

88% of 6-Market Global Average

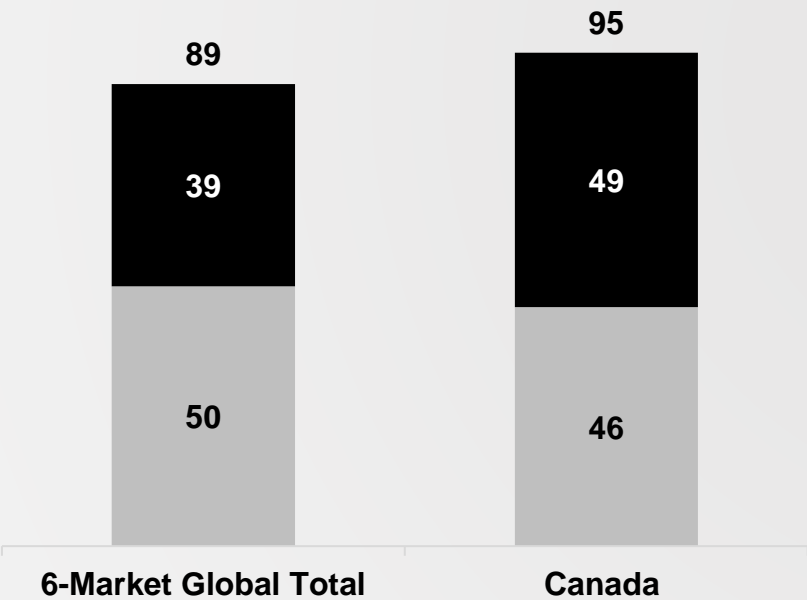


# ESG-EXCELLING COMPANIES MERIT A PREMIUM

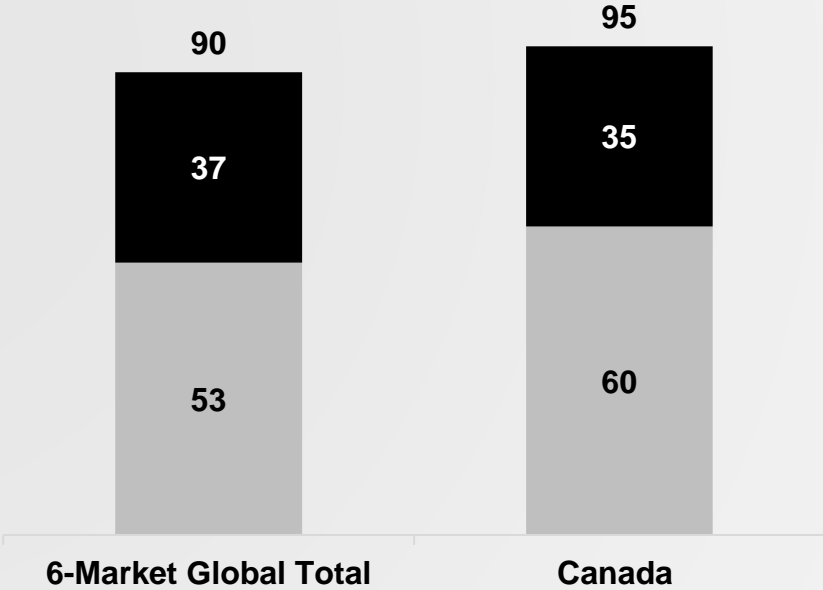
Percent who agree

■ Somewhat Agree ■ Strongly Agree

“A company with strong ESG performance deserves a premium valuation to its share price”



“Companies that prioritize ESG initiatives represent better opportunities for long-term returns than companies that do not”

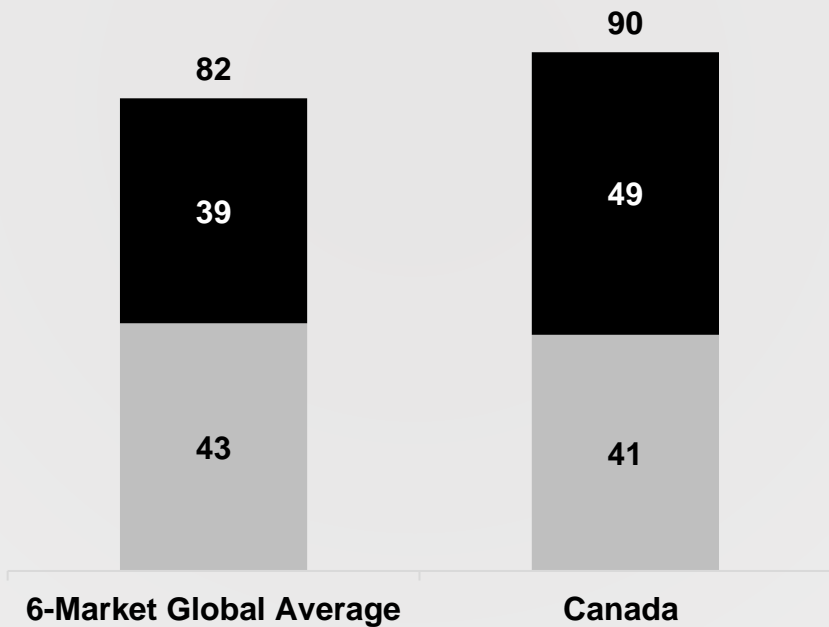


# CANADIAN INVESTORS RELUCTANT TO INVEST IF ESG EXPECTATIONS ARE NOT MET

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“My firm will not invest in companies with a lack of sufficient information/data on their ESG performance”





# The Growing Importance of Social Factors

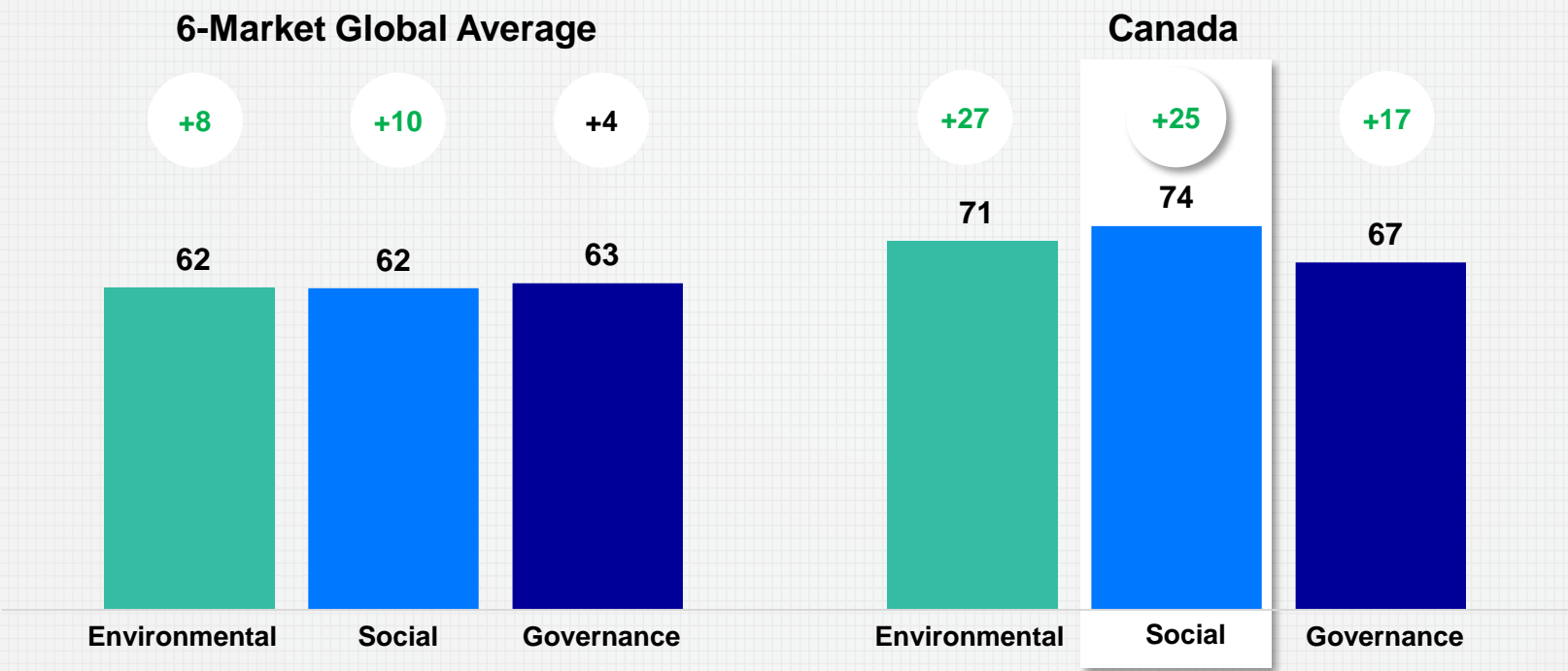
Edelman Trust Barometer  
Special Report: Institutional Investors

# CANADIAN INVESTORS ARE INCREASINGLY SOCIALLY CONSCIOUS

Percent who agree each is very important

Y-to-Y Change

## ESG Importance



In Canada, **Social** increased in ranking from #2 in importance to #1

\* Significant differences at the 95% confidence indicated by red or green text

Edelman Trust Barometer Special Report: Institutional Investors  
Q10: Please select how important each of the following elements are when it comes to ESG investing. For each one, please indicate how important it is using a 9-point scale where 1 means "not at all important" and 9 means "most important." Shown T2B Important. 6-Market Global Average n=600; Canada n=100



# INVESTORS TRUST COMPANIES THAT TREAT PEOPLE AND COMMUNITIES WELL

Percent who say each impacts trust in a company a great deal among Canadian investors



## Corporate Behavioral Practices – Human Capital



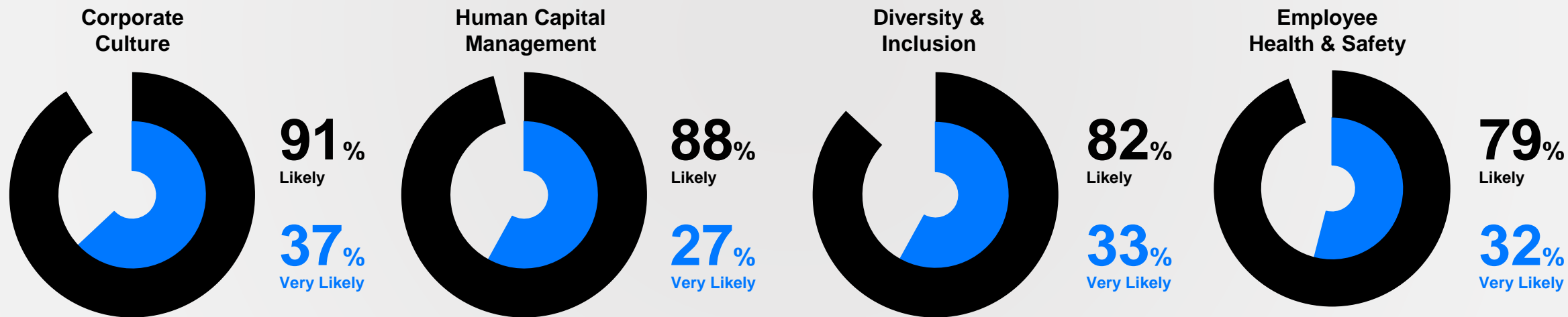
\* Significant differences at the 95% confidence level indicated by red or green text

Edelman Trust Barometer Special Report: Institutional Investors  
Q4: How much do each of the following corporate behavioral practices positively impact your trust in a company that you are/may consider investing in or recommending?  
For each one, please indicate the level of impact using a 9-point scale where 1 means "no positive impact on trust" and 9 means "a great deal of positive impact on trust."  
Shown T2B Trust. Canada n=100

# INVESTORS READY TO GO TO BAT WITH THE BOARD ON EMPLOYEE ISSUES

Percent selected among Canadian investors

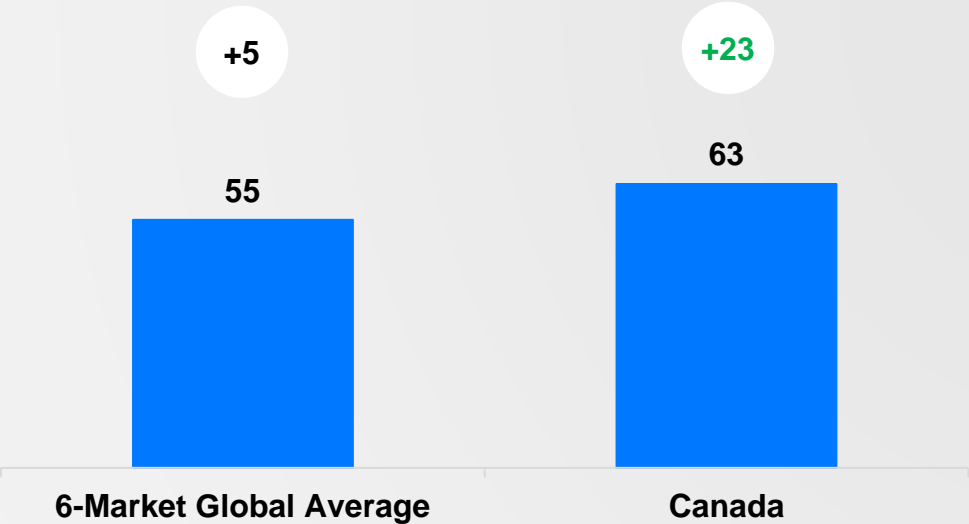
## Likelihood of Investor Engagement on Management Topics Within the Next 6 Months



Edelman Trust Barometer Special Report: Institutional Investors  
Q19. How likely are you to engage with the boards of companies you invest in on any of these ESG topics within the next six months? For each one, please indicate how likely you are using a 5-point scale where 1 means “not at all likely” and 5 means “very likely.” Shown T2B Likely. Canada n=100

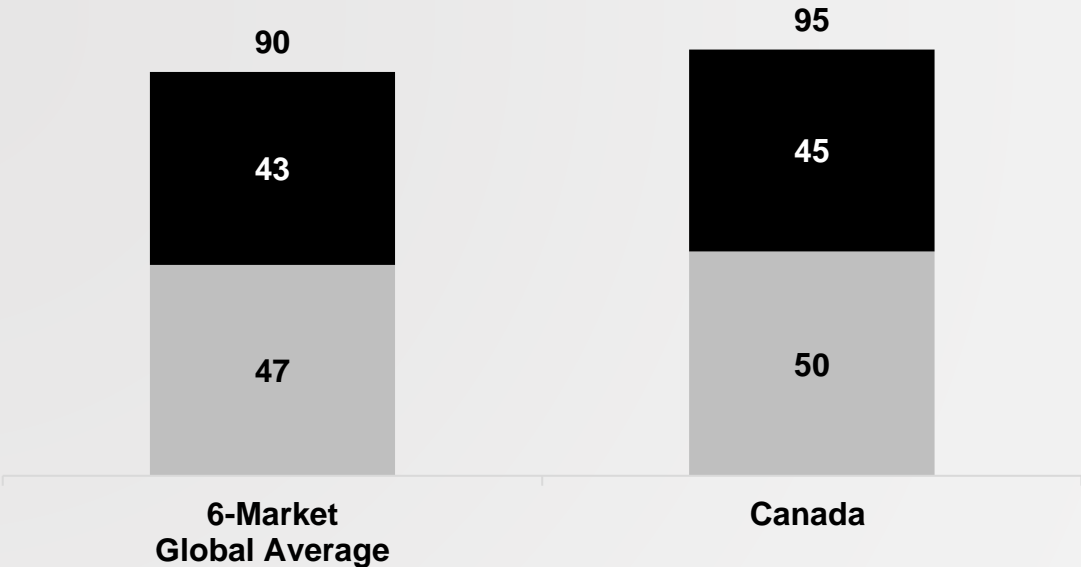
# D&I DISCLOSURE & PERFORMANCE INCREASINGLY IMPACTING TRUST & SHARE PRICE RESPECTIVELY

Disclosing employee diversity and inclusion statistics drives trust  
Percent selected



■ Somewhat Agree ■ Strongly Agree

“Strong diversity & inclusion metrics have a positive impact on a company’s share price”  
Percent who agree



Edelman Trust Barometer Special Report: Institutional Investors  
Q4: How much do each of the following corporate behavioral practices positively impact your trust in a company that you are/may consider investing in or recommending?  
For each one, please indicate the level of impact using a 9-point scale where 1 means “no positive impact on trust” and 9 means “a great deal of positive impact on trust.”  
Shown T2B Trust. Q14: Please indicate the extent to which you agree or disagree with the following statements regarding ESG/socially responsible investing. 6-Market Global Average n=600; 6-Market Global Average n=600; Canada n=100

# 8 IN 10 CANADIAN FIRMS SCREEN FOR D&I METRICS

Percent who selected “Yes”

Does your firm apply exclusionary screening based on Diversity & Inclusion (D&I) metrics?

Have you started to put portfolio investments that do not meet your Diversity & Inclusion (D&I) thresholds on watch-lists?



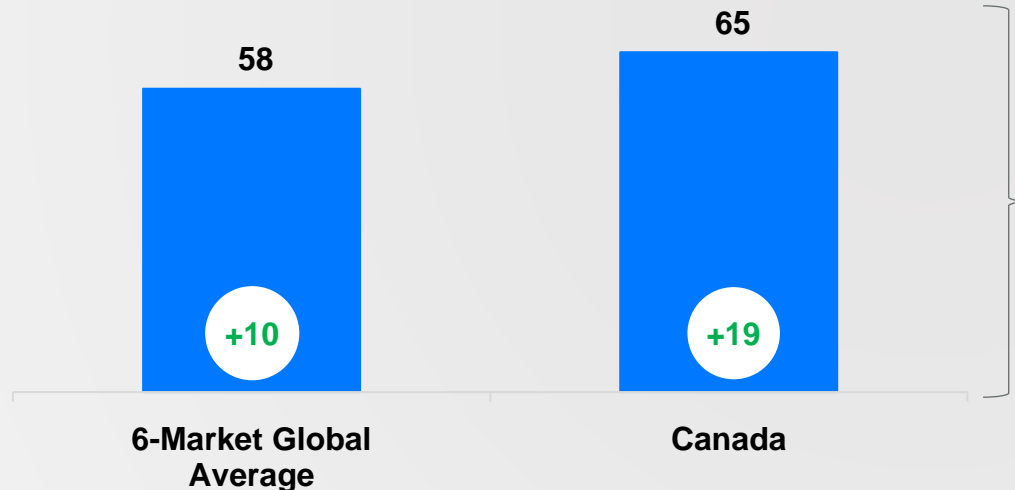


# CANADIAN INVESTORS PLACING MORE VALUE ON DIVERSE BOARDS

Percent who say diversity within a Board impacts trust in a company a great deal

■ Somewhat Agree ■ Strongly Agree

Diversity within a company's Board of Directors and executive team



— 0 — + Y-to-Y Change

# 19 pt

Increase year-over-year in the importance of Board diversity in driving Canadian investor trust, well above the 6-market global average

\* Significant differences at the 95% confidence level indicated by red or green text

Edelman Trust Barometer Special Report: Institutional Investors

Q5: How much does each of the following corporate governance practices positively impact your trust in a company that you are/may consider investing in or recommending?

6-Market Global Average n=600; Canada n=100

The background of the slide is a grayscale photograph of a classical building facade. It features several large, ornate columns with Corinthian capitals and a series of arches above them. The image is slightly faded and has a dark overlay to make the white text stand out.

# Increased Expectations of the Board

Edelman Trust Barometer  
Special Report: Institutional Investors

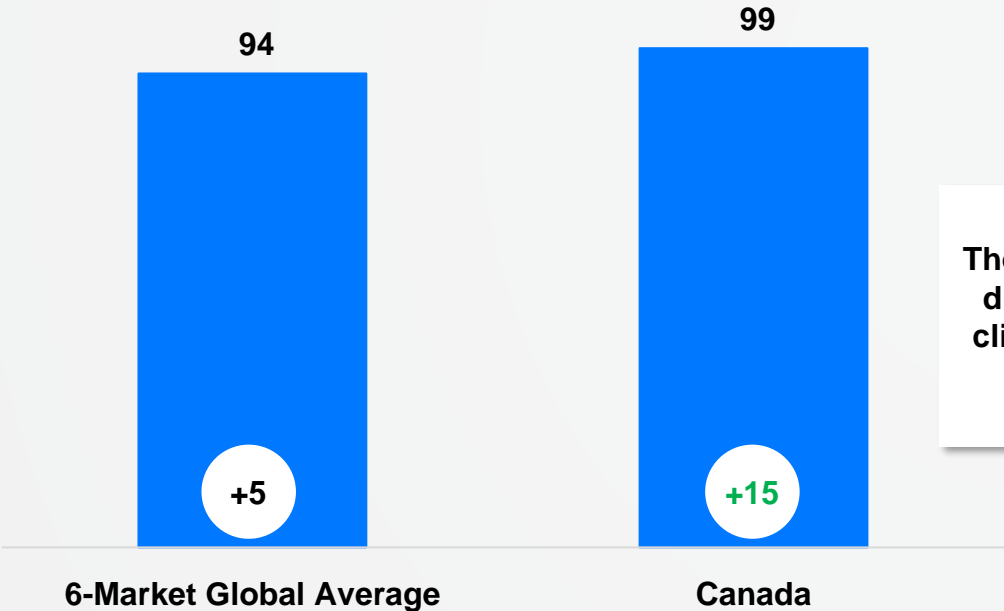
# CANADIAN INVESTORS NEED TO TRUST BOTH BOARDS AND MANAGEMENT

Percent who agree

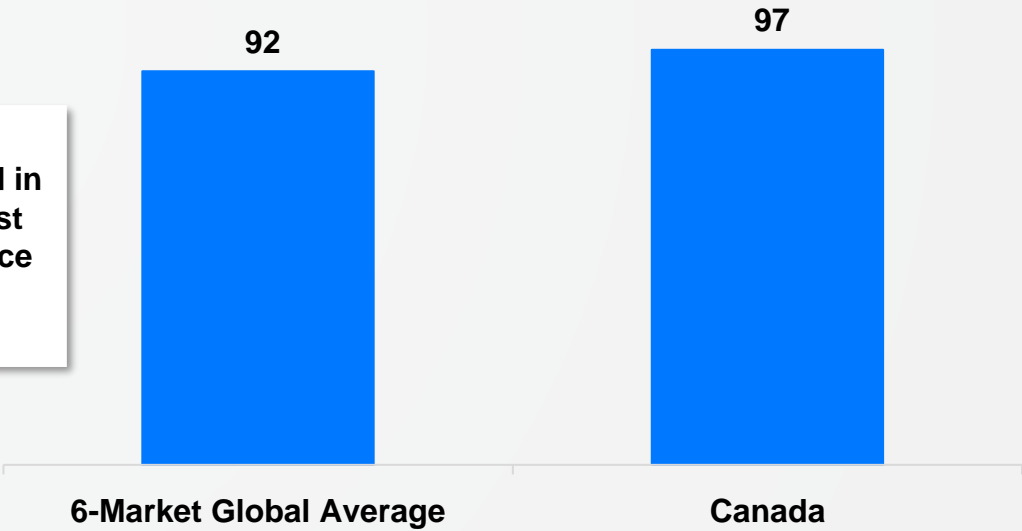
Y-to-Y Change

“I must trust a company’s Board of Directors before making or recommending an investment”

“I must trust a company’s CEO before making or recommending an investment”



The role of the Board in driving investor trust climbed in importance by 15 points y-o-y



\* Significant differences at the 95% confidence level indicated by red or green text

Edelman Trust Barometer Special Report: Institutional Investors  
Q2. Please indicate the extent to which you agree or disagree with the following statements regarding trust.. Shown T2B Agree.  
6-Market Global Average n=600; Canada n=100

# INVESTORS ENGAGING WITH THE BOARD ON ESG

Percent who selected among Canadian investors

## Which Leaders are being Engaged on ESG by Investors



98%

Of Canadian investors  
expect the Board of Directors to  
oversee at least one ESG topic



# CANADIAN INVESTORS EXPECT MORE ON ALL CORPORATE GOVERNANCE KPIs

Percent who say each impacts trust in a company a great deal among Canadian investors



## Corporate Governance Practices



\* Significant differences at the 95% confidence level indicated by red or green text

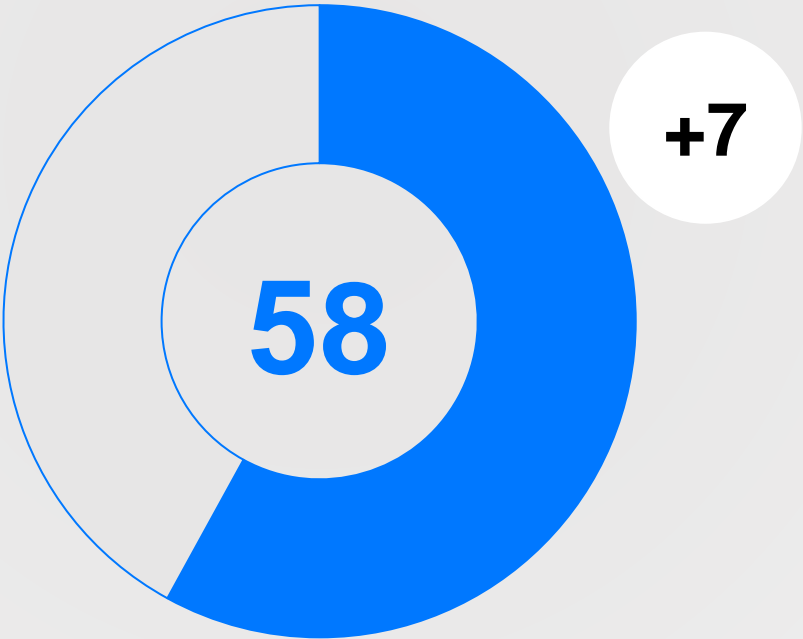
Edelman Trust Barometer Special Report: Institutional Investors  
Q5: How much does each of the following corporate governance practices positively impact your trust in a company that you are/may consider investing in or recommending? For each one, please indicate the level of impact using a 9-point scale where 1 means "no positive impact on trust" and 9 means "a great deal of positive impact on trust." Shown T2B Trust. Canada n=100

# MORE INVESTORS WANT EXECUTIVE PAY TIED TO ESG

Percent who say it impacts trust in a company a great deal among Canadian investors

— 0 — Y-to-Y Change

“Linking executive compensation to ESG target performance”



\* Significant differences at the 95% confidence level indicated by red or green text

Edelman Trust Barometer Special Report: Institutional Investors  
Q5: How much does each of the following corporate governance practices positively impact your trust in a company that you are/may consider investing in or recommending? For each one, please indicate the level of impact using a 9-point scale where 1 means “no positive impact on trust” and 9 means “a great deal of positive impact on trust.” Shown T2B Trust. Canada n=100



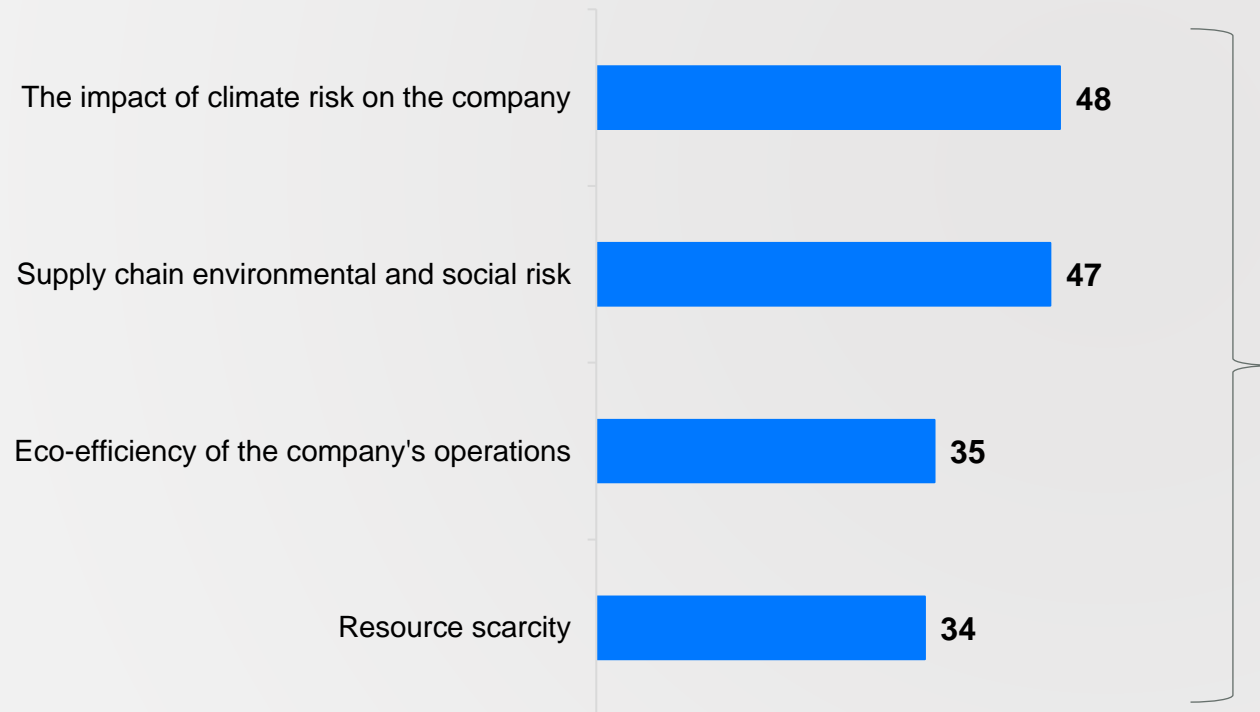
# Climate Change Higher on the Investor Agenda

Edelman Trust Barometer  
Special Report: Institutional Investors

# BOARDS EXPECTED TO OVERSEE ENVIRONMENTAL RISK

Percent who selected among Canadian Investors

## Expectations of ESG Oversight from the Board of Directors



**7 in 10**

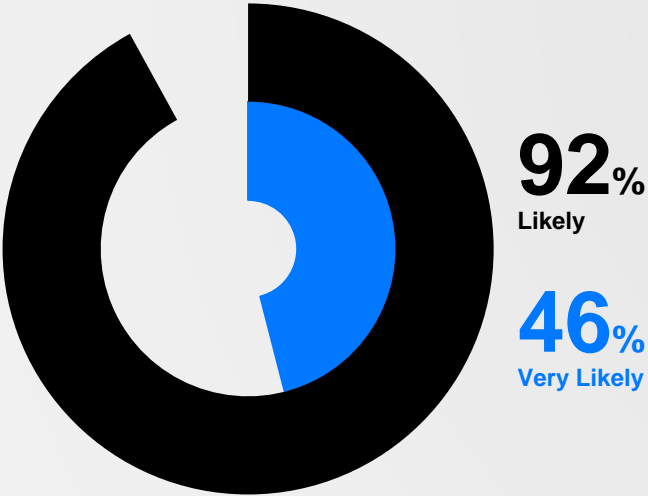
**Canadian investors  
expect the Board to oversee at  
least one environmental issue**

# INVESTORS PLAN TO ACCELERATE ENGAGEMENT ON CLIMATE RISKS IN THE NEXT SIX MONTHS

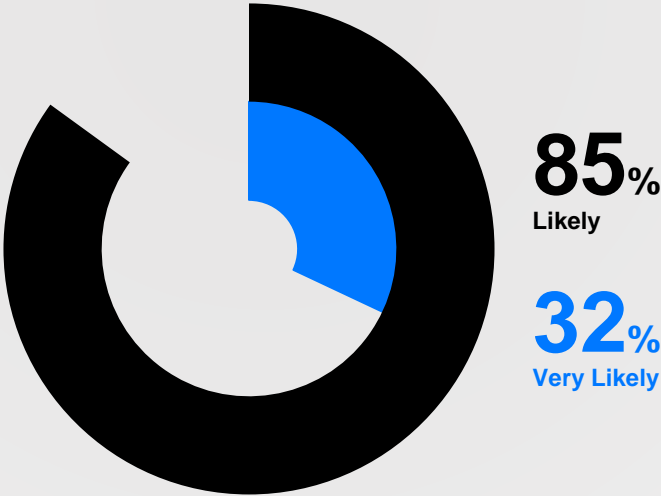
Percent selected among Canadian Investors

## Likelihood of Investor Engagement on Environmental Topics

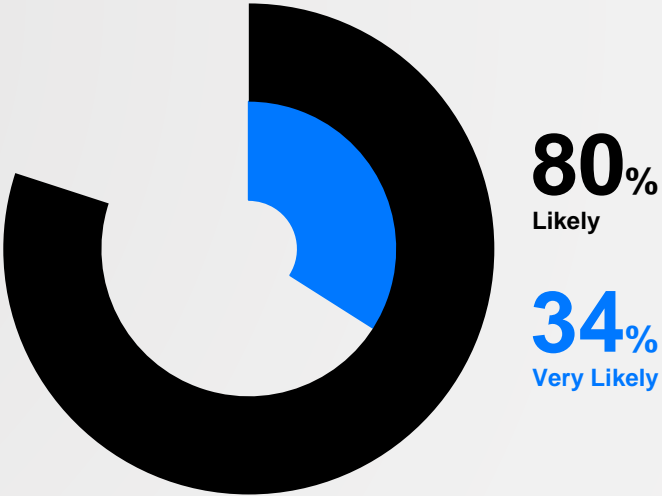
The Impact of Climate Risk on the Company



Resource Scarcity



Eco-efficiency of the Company's Operations



Edelman Trust Barometer Special Report: Institutional Investors  
Q19. How likely are you to engage with the boards of companies you invest in on any of these ESG topics within the next six months? For each one, please indicate how likely you are using a 5-point scale where 1 means "not at all likely" and 5 means "very likely." Shown T2B Likely. Canada n=100

# Shareholder Activism is Inescapable

Edelman Trust Barometer  
Special Report: Institutional Investors

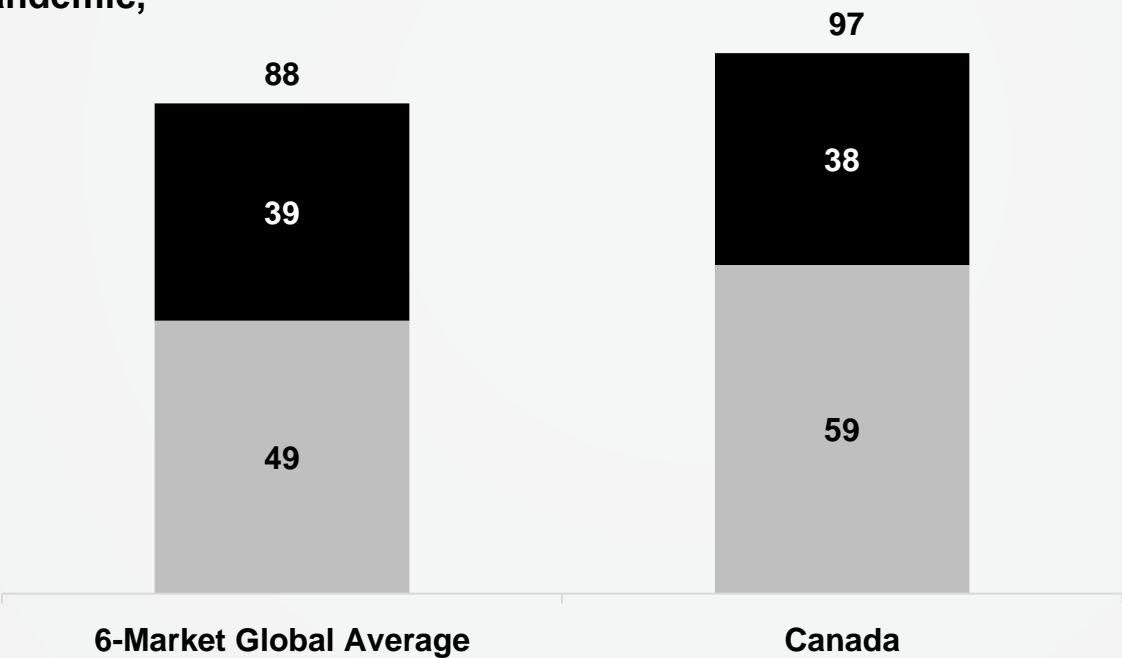


# CANADIANS SEE AN INCREASE IN SHAREHOLDER ACTIVISM POST-COVID

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“As we recover from the pandemic, there will be an increase in shareholder activism”



91%

Of Canadian investors believe it is okay for activist investors to initiate a public campaign during the current market environment

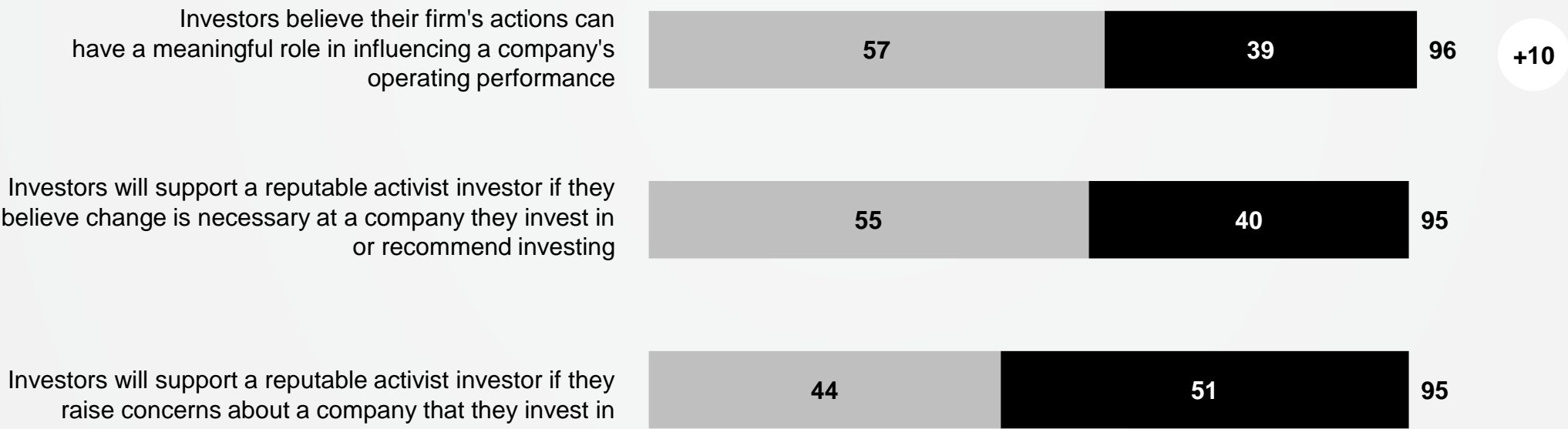
# INVESTORS INCREASINGLY BELIEVE THEY CAN INFLUENCE CHANGE THROUGH ACTIVISM

Percent who agree among Canadian investors

- 0 + Y-to-Y Change

■ Somewhat Agree ■ Strongly Agree

## Perceptions of Shareholder Activism

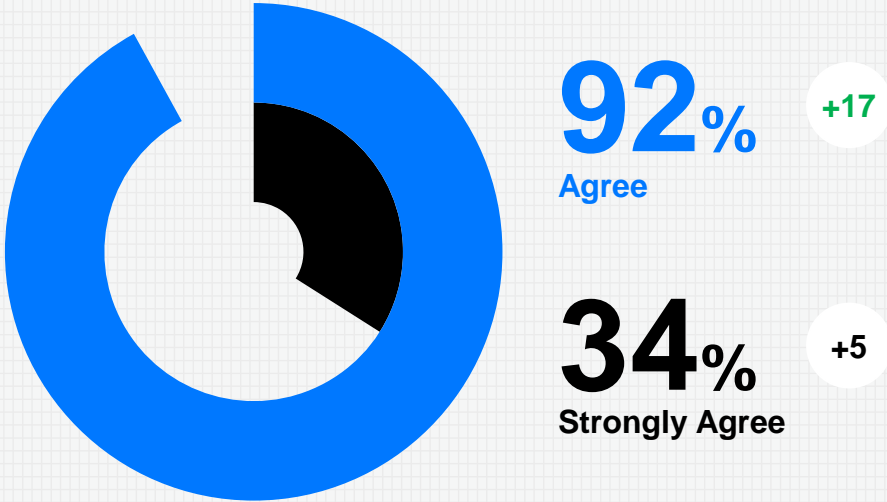


\* Significant differences at the 95% confidence level indicated by red or green text

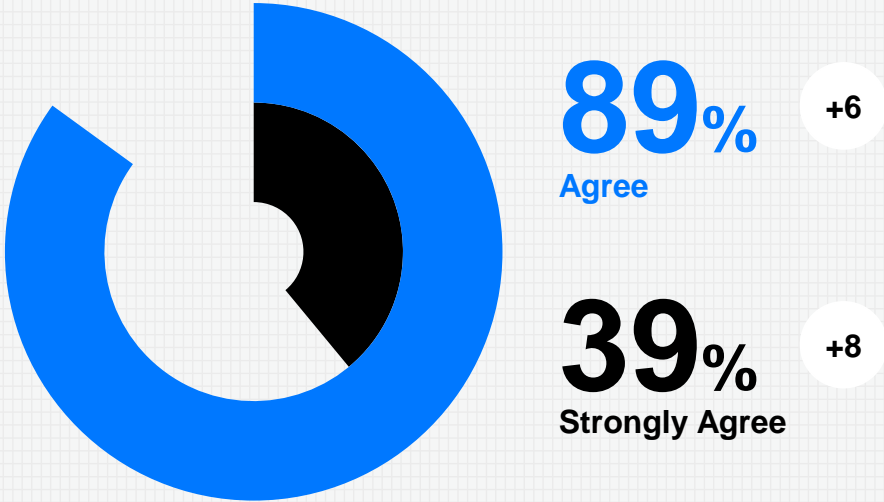
# MORE CANADIAN FIRMS ARE INTERESTED IN TAKING AN ACTIVIST APPROACH

— 0 — Y-to-Y Change

“In general, as a firm, we are more interested in taking an activist approach to investing”  
Percent selected among Canadian investors



“Most companies are not prepared to handle activist campaigns”  
Percent selected among Canadian investors



\* Significant differences at the 95% confidence level indicated by red or green text

# INVESTORS MORE WILLING TO PLACE PRESSURE ON EXECS TO EFFECT CHANGE

Percent among Canadian investors who selected “In general, as a firm, we are more interested in taking an activist approach to investing”

## Ways Firms are Taking an Activist Approach



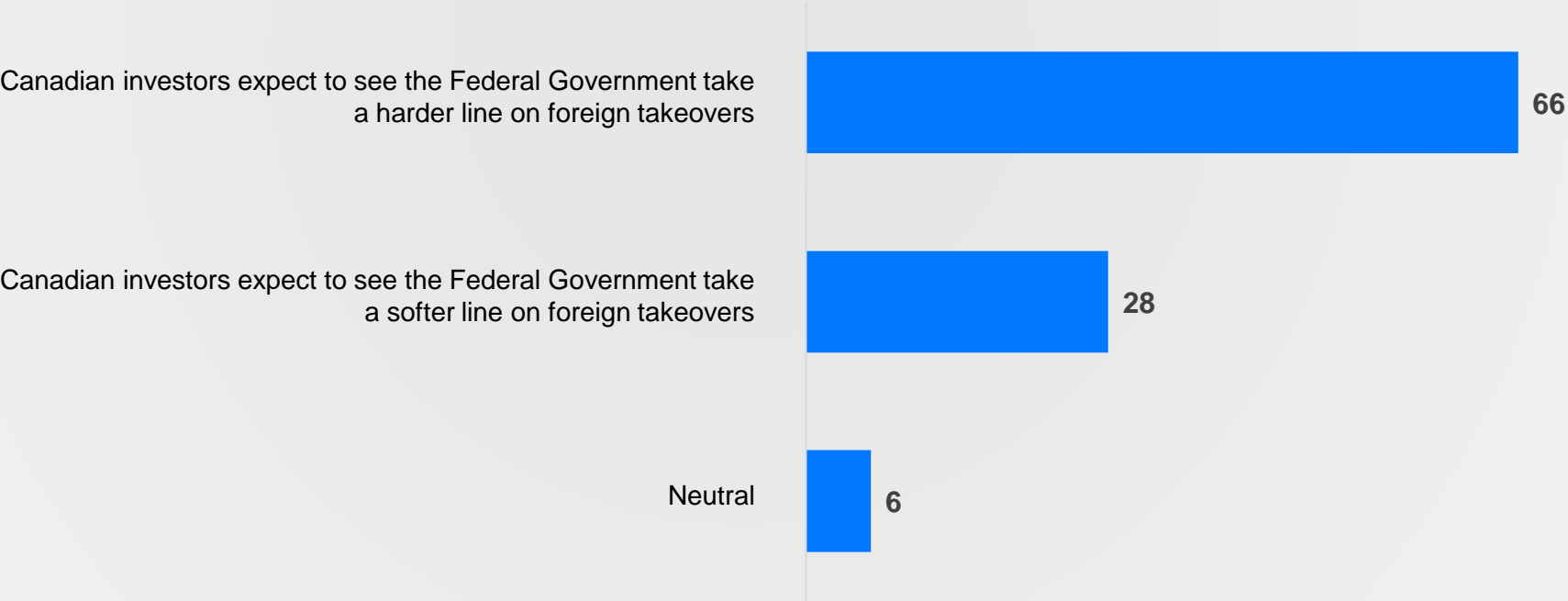
\* Significant differences at the 95% confidence level indicated by red or green text

Edelman Trust Barometer Special Report: Institutional Investors  
Q8: You just indicated that your firm is more interested in taking an activist approach to investing. Specifically, in what ways is your firm trying to be more activists? Shown % Selected. Canada n=100

# INVESTORS EXPECT CANADIAN GOVERNMENT TO TOUGHEN STANCE ON FOREIGN TAKEOVERS

Percent selected among Canadian investors

How investors expect that recent geopolitical events and/or tensions will change the way in which the Canadian government evaluates foreign takeovers of Canadian companies







# Investors Accept the End of Shareholder Primacy

Edelman Trust Barometer  
Special Report: Institutional Investors

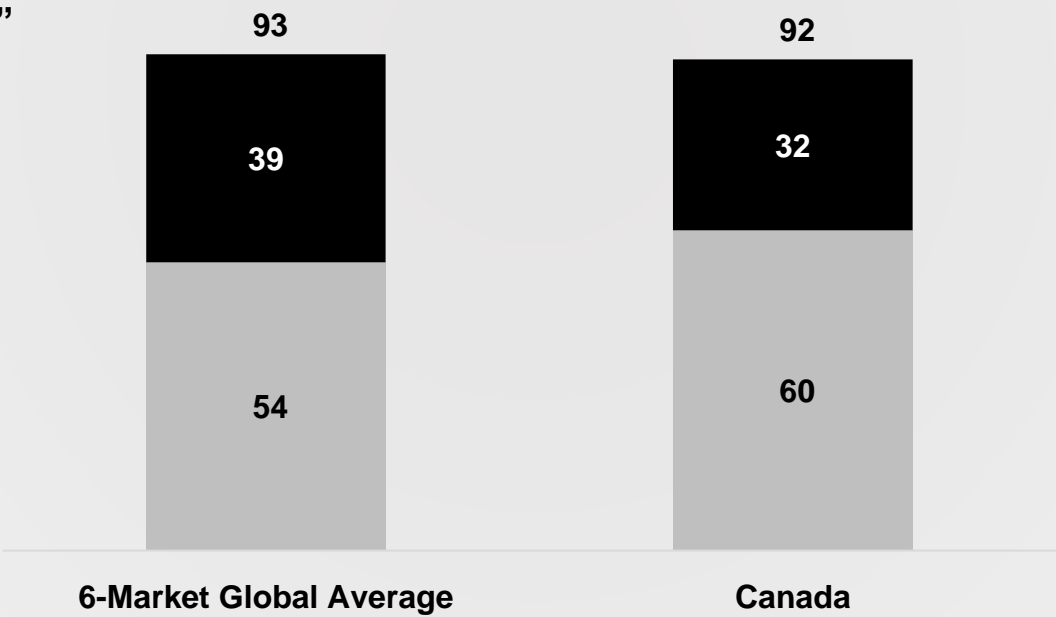


# INVESTORS CONFIRM MULTI-STAKEHOLDER MODEL DRIVES GREATER RETURNS

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“The multi-stakeholder model of governance is more conducive to delivering long-term financial returns than other models ”



# INVESTORS EXPECT COMPANIES TO PRIORITIZE A NUMBER OF STAKEHOLDER COMMITMENTS

Percent who ranked actions as the top priority out of five possible actions

■ 6-Market Global Average ■ Canada

## Actions Companies Should Prioritize to Increase Investment Likelihood

Rank 1



1 in 5

Canadian investors think  
companies should prioritize each  
of these actions to increase  
likelihood of investment

# THE VALUE OF INVESTOR TRUST

Percent who selected among Canadian investors

■ Important Summary    ■ Critically Important Summary

## Importance of having a high level of trust for a company to be able to...



# NEW DRIVERS OF INVESTOR TRUST

**1.**

ESG is here to stay and will be an important part of building investor trust, even with the pressures posed by the pandemic

**2.**

Canadian investors are looking for Boards to drive more tangible action and accountability

**3.**

Canadian companies need to prepare for an acceleration of shareholder activism post-COVID; the majority of investors feel they aren't prepared

**4.**

Canadian investors are focused on social issues like never before; companies should expect a new level of scrutiny

**5.**

Communities matter; investors expect multi-stakeholder approaches from the companies they invest in





NEW YORK STOCK EXCHANGE

# CANADA APPENDIX

Edelman Trust Barometer  
Special Report: Institutional Investors



# INVESTORS WANT TO HEAR MORE FROM THE CFO

Percent selected among Canadian investors

Company Spokespeople that Investors Want To Hear More From Than They Have in the Past Year

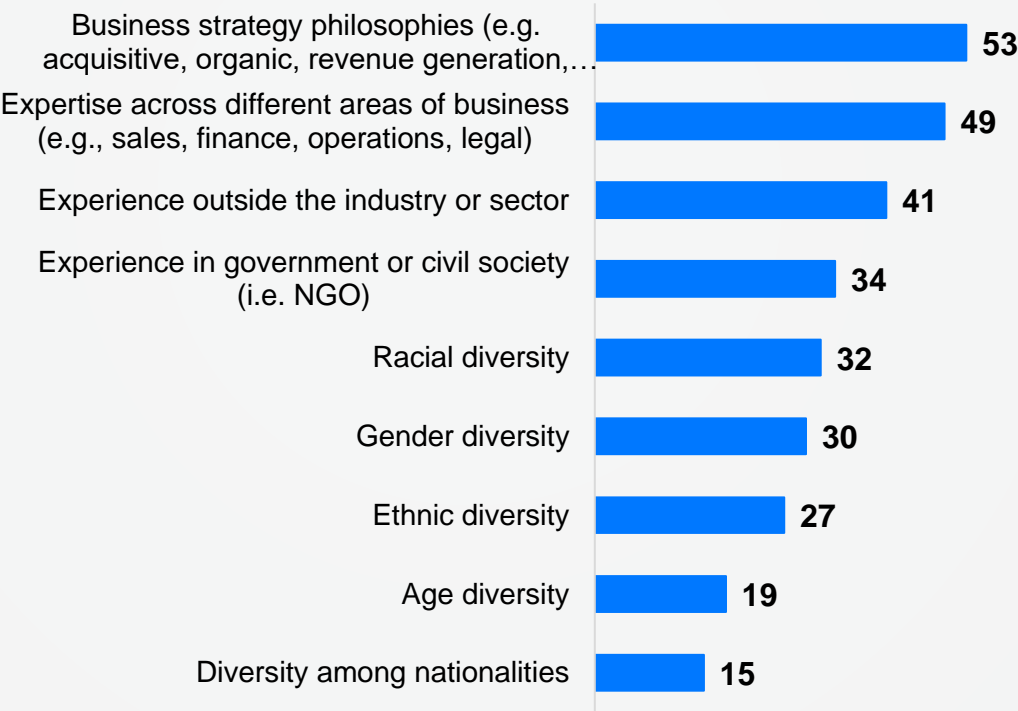




# EXPERTISE REMAINS A PRIORITY TO ENSURE DIVERSITY

Percent ranked top 3 that selected “diversity within a company’s Board has a significant positive impact on trust” among Canadian investors

## Most Important Types of Board Diversity to Build Trust



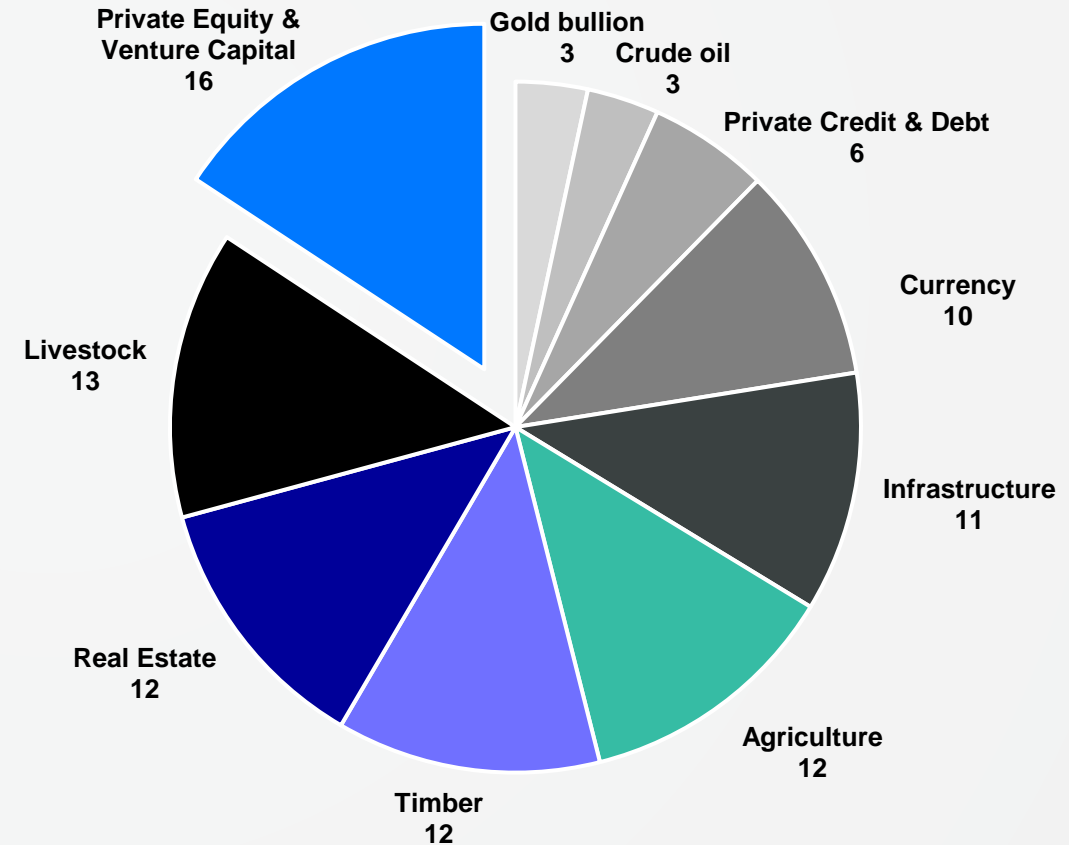
# CANADIAN INVESTORS TO INVEST HEAVILY IN ALTERNATIVE STRATEGIES GOING FORWARD

Percent how selected among Canadian investors

Percent selected among Canadian investors

# 89%

of Canadian investors  
expect to reweight their  
portfolios towards alternative  
investments going forward



Edelman Trust Barometer Special Report: Institutional Investors

Q2CA: Over the next 12 months are you expecting to re-weight your portfolio more towards alternative investment strategies?

Shown % Selected. Canada n=89

Q3CA: You said you are expecting to re-weight your portfolio more towards alternative investment strategies. Which of the following alternative investment strategies, if any, are you investing in the most?

Shown % Selected. Canada n=100