

Special Report:
Institutional
Investors

Canada Report



Edelman Trust Barometer 2021



Institutional Investor Trust Report

Methodology

N=700 Institutional Investors

Online quantitative study among

U.S. n=100

UK n=100

Canada n=100

Germany n=100

Japan n=100

The Netherlands n=100

Middle East (UAE & KSA) n=100

**Fielded from August 11th to
September 3rd, 2021**

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

7-Market Global Average: +/- 4%

United States, United Kingdom, Canada, Germany, Japan, Netherlands,

Middle East: +/- 9.8%

Contents

Why is ESG Trust so Low? 05.

A Push for Climate Action 14.

Employee Activism: From Risk to Asset 17.

**Shareholder Activism Firmly Rooted in
Canada 22.**

The Rise of the Retail Investor 27.

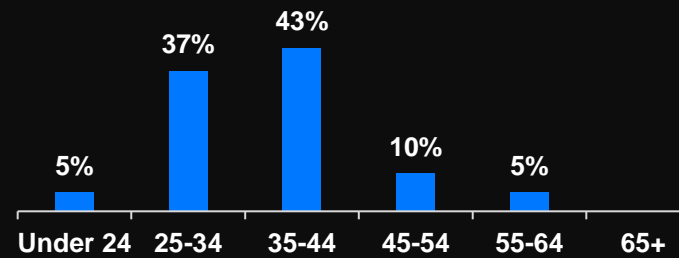
Appendix 32.

CANADA INVESTOR PROFILE

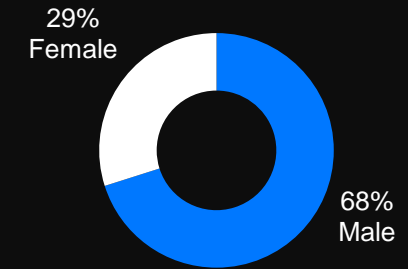
Primary Investment Style

Growth	35%
Value	19%
Industry-specific	17%
Activist	5%
Hedge	9%
Quantitative/Index	5%
GARP	7%

Age



Gender

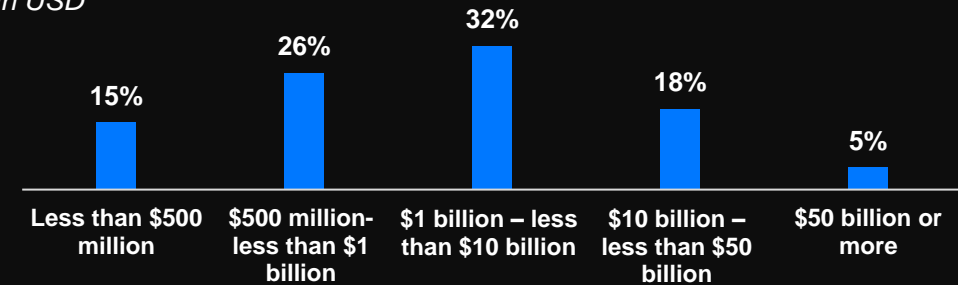


Respondents' Job Titles



Organizations' Assets Under Management

In USD



2021 Edelman Trust Barometer Special Report: Institutional Investors

D2. What is the primary investment style for the funds you manage on behalf of your organization? // S1. What is your current age? // D4. What is your gender?

S8. Which of the following best describes your position or level within your company or organization? // S7. In your current job, approximately how much are your institution's investable assets?

Base: Canada n=100

CRITICAL NEW DYNAMICS FOR BUILDING TRUST WITH INVESTORS

1

Canadian investors losing trust in ESG

Investors are increasing their scrutiny of ESG disclosures and commitments, and many foresee an increase in ESG-related litigation.

2

Investors pushing for clear climate action

Majority of investors expect to see a Net Zero plan, but many doubt companies' ability to achieve their climate action goals.

3

Investors see opportunity in employee activism

Investors watching the employee-employer dynamic very closely, and the majority view employee activism as a sign of a healthy workplace culture.

4

Shareholder activism deepens its roots in Canada

Investors considering more forms of active engagement; majority of Canadian investors would proactively approach reputable activists to effect change.

5

"Meme stocks" lend influence to retail investors

Institutional investors paying closer attention to online forums like WallStreetBets; many see the rise of retail activists as a threat.

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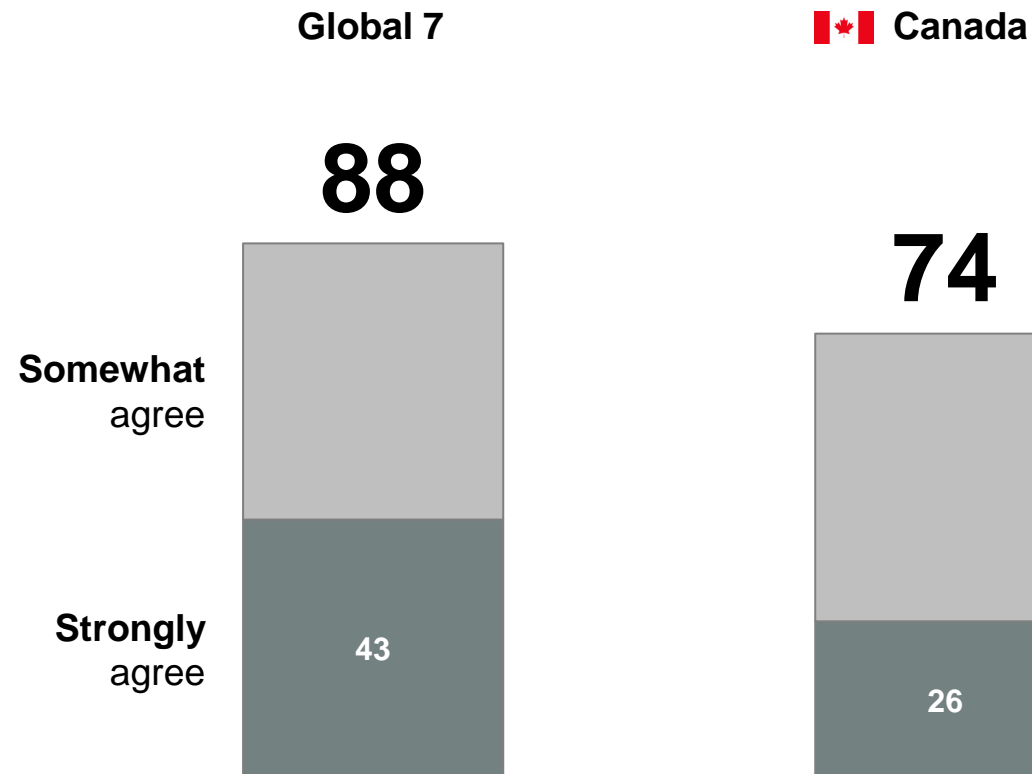
WHY IS TRUST IN ESG SO LOW?

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INVESTORS NOW SCRUTINIZE ESG AS MUCH AS OPERATIONAL AND FINANCIAL FACTORS

Percent of investors who agree

I subject ESG to the same scrutiny as operational and financial considerations



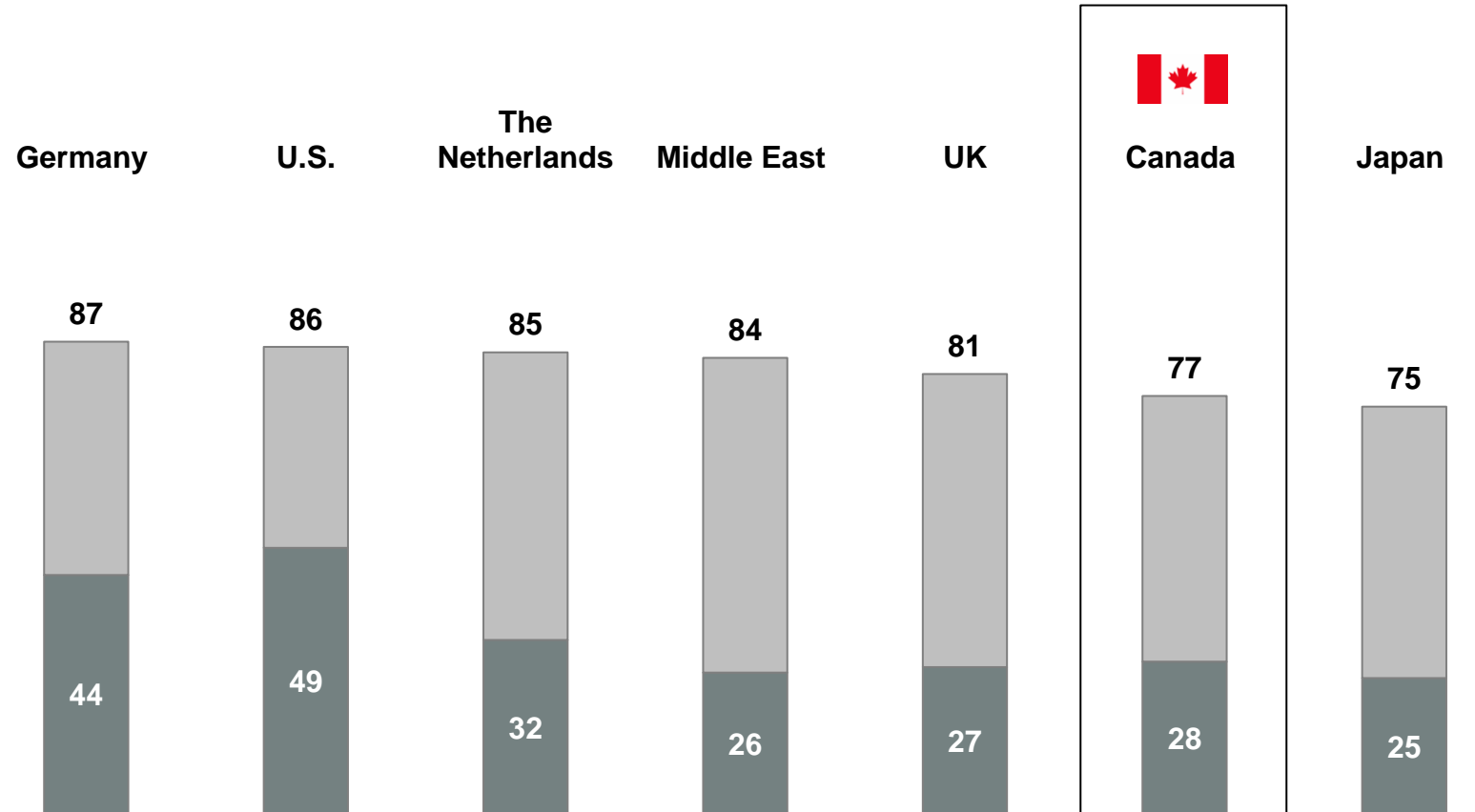
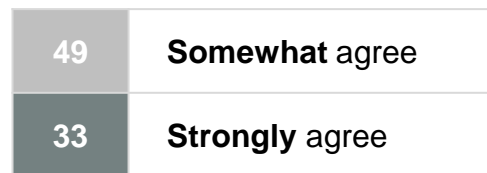
INVESTORS CONCERNED ESG PROGRESS IS OVERSTATED

Percent of investors who agree

Companies frequently overstate or exaggerate their ESG progress when disclosing results

Global 7

82%



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q23_1: Now please think about the adequacy and accountability of ESG corporate disclosures made by companies. To what extent do you agree or disagree with the following statements? Showing Somewhat Agree, Agree T2B and Strongly Agree T1B. 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

GREATEST INVESTOR DOUBTS AROUND DE&I AND CLIMATE CHANGE DISCLOSURES

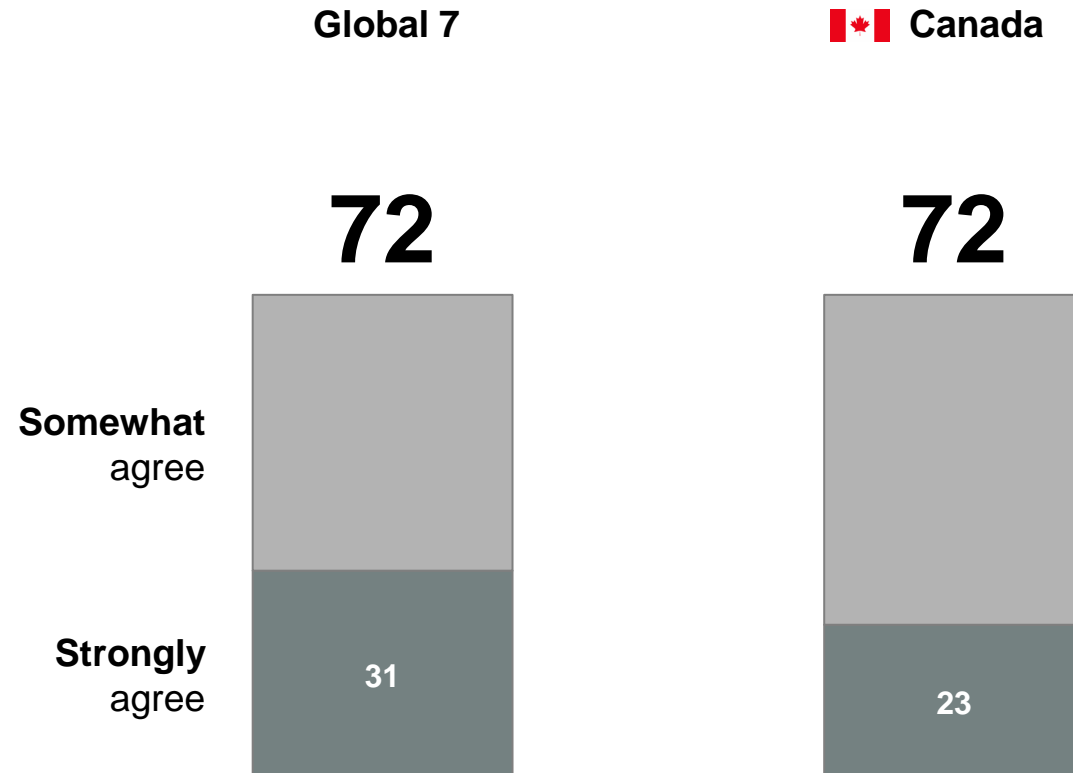
Percent of investors who lack full confidence in the accuracy of ESG information that companies disclose to them on each of the following topics, Canada



MOST INVESTORS DON'T BELIEVE COMPANIES WILL ACHIEVE THEIR ESG COMMITMENTS

Percent of investors who agree

I do not trust companies to achieve their stated sustainability, ESG or DEI commitments



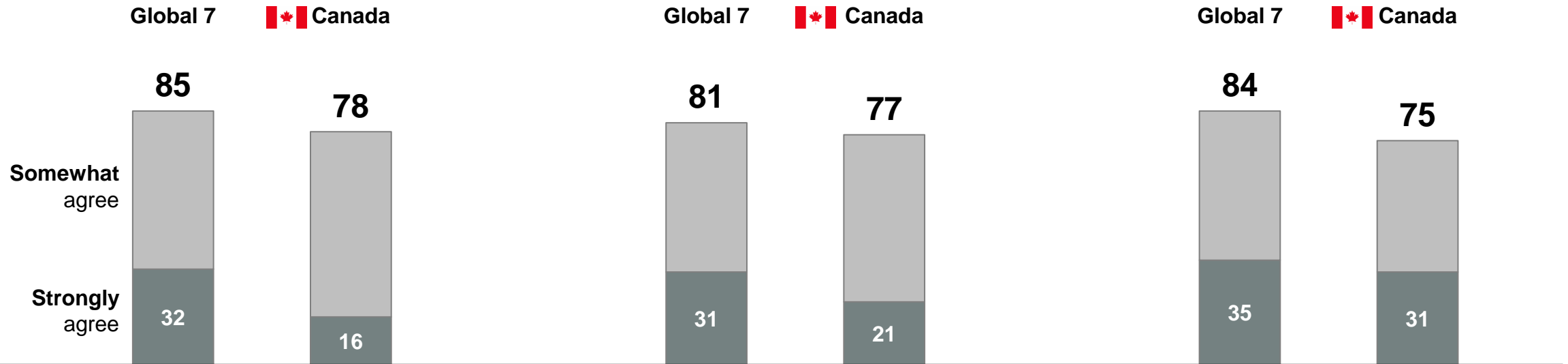
MOST INVESTORS IN FAVOR OF MANDATORY ESG DISCLOSURES

Percent of investors who agree

I am in favor of **mandatory ESG disclosure**

Companies are **not disclosing enough** ESG information

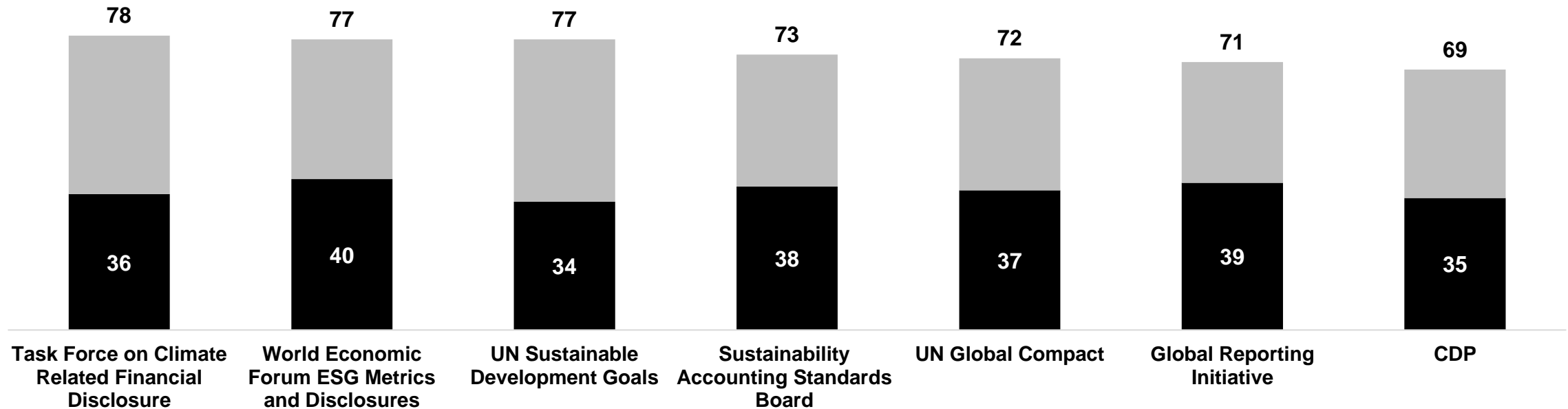
The **government** should apply more pressure to **enforce ESG compliance**



INVESTORS CAN'T ALIGN ON PREFERRED ESG DISCLOSURE FRAMEWORK

Percent who say each ESG framework is useful, among Canadian investors

■ Somewhat useful
■ Very useful



INVESTORS ANTICIPATE AN INCREASE IN ESG-RELATED LITIGATION

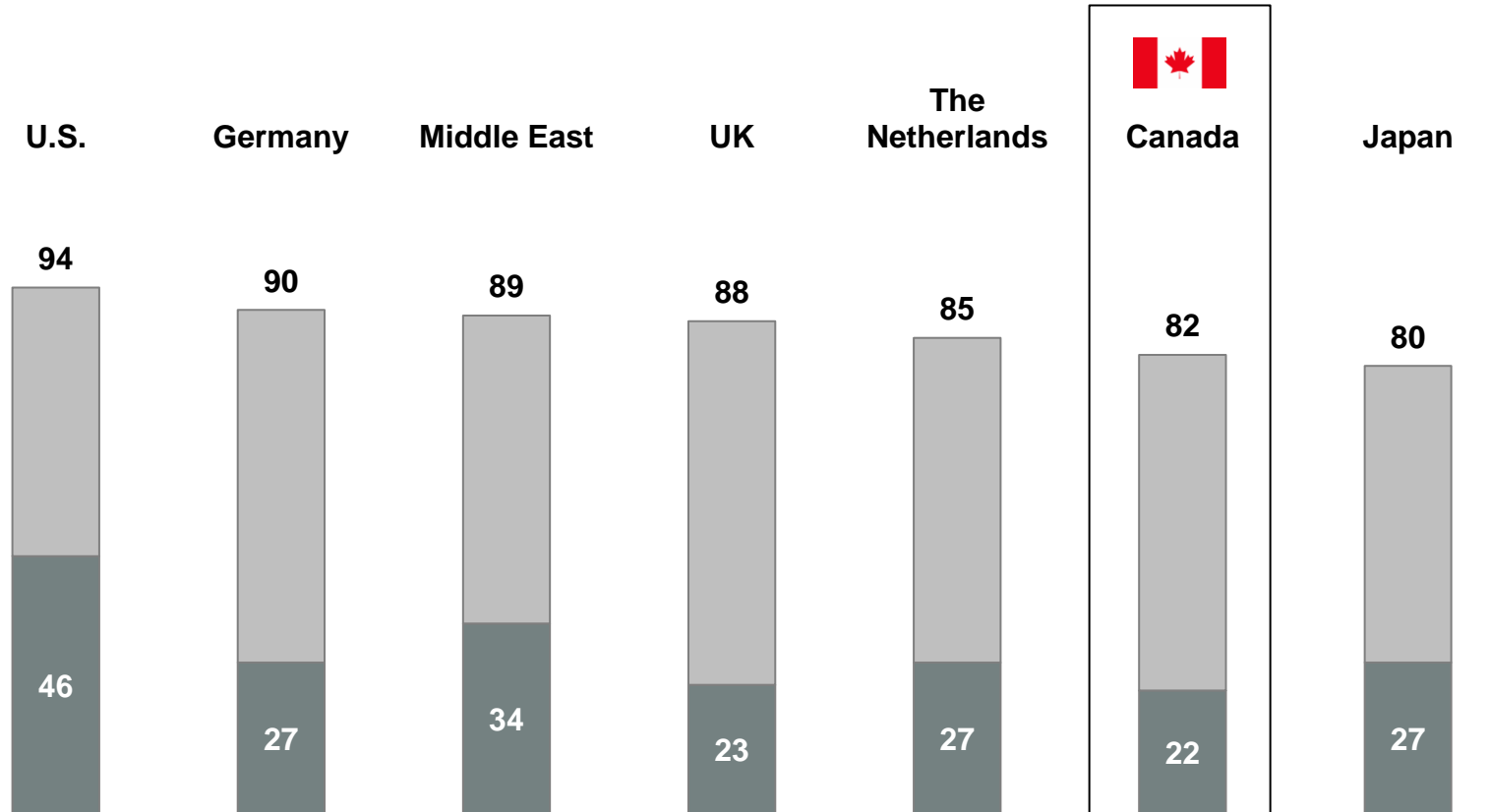
Percent of investors who agree

I anticipate **more litigation** as a result of **companies not delivering on ESG promises**

Global 7

87%

57	Somewhat agree
29	Strongly agree



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q23_1: Now please think about the adequacy and accountability of ESG corporate disclosures made by companies. To what extent do you agree or disagree with the following statements? Showing Somewhat Agree, Agree T2B and Strongly Agree T1B. 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

INVESTOR SKEPTICISM A DRAG ON ESG ADDED VALUE

Percent who agree, among Canadian investors

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

Companies that prioritize ESG integration **represent better opportunities for long-term returns** than those who do not



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A PUSH FOR CLIMATE ACTION

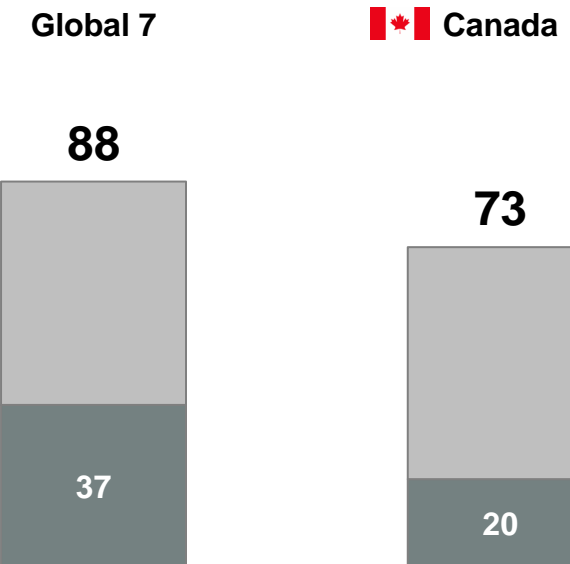
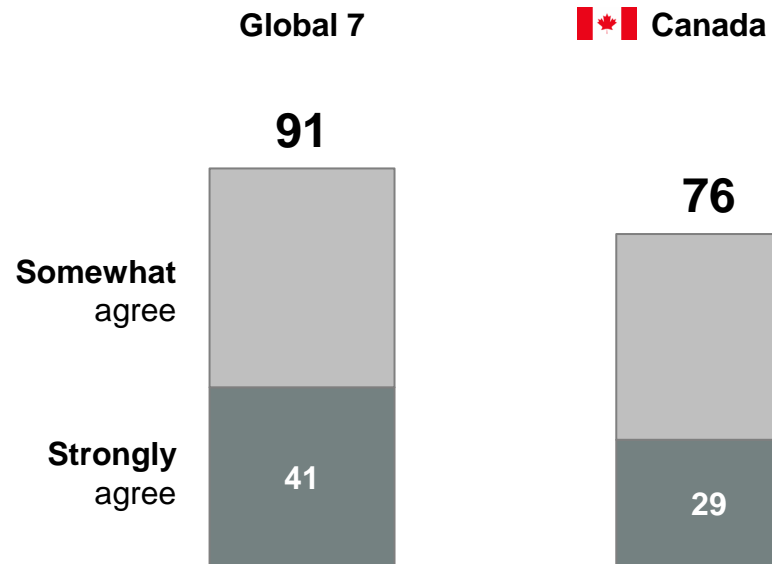
⊥

INVESTORS REWARD NET ZERO PLEDGES WITH PREMIUM

Percent of investors who agree

In the next 12 months, I expect companies in which I invest to establish and communicate a plan for achieving Net Zero Emissions

Companies that have articulated a Net Zero plan deserve a premium



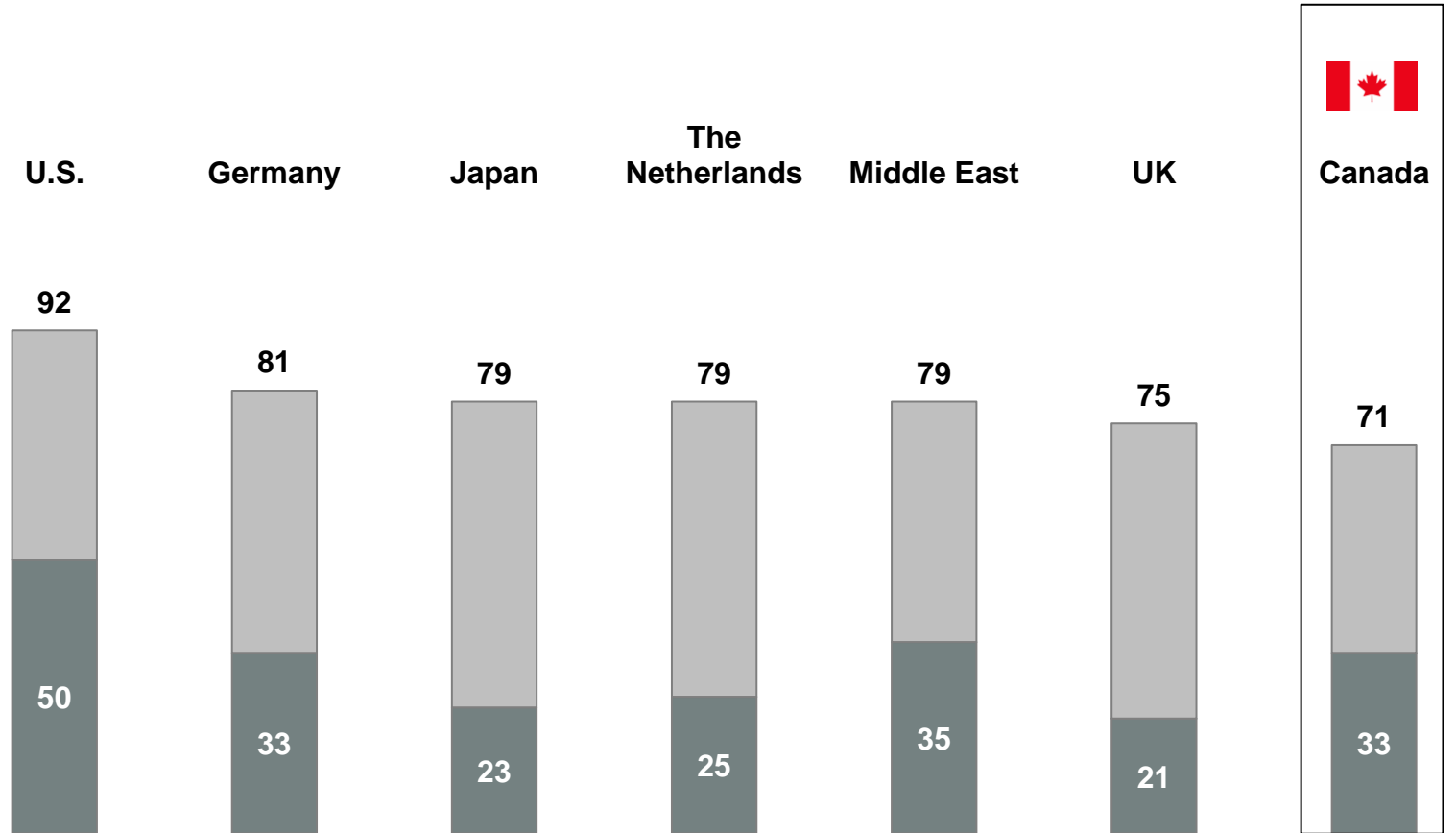
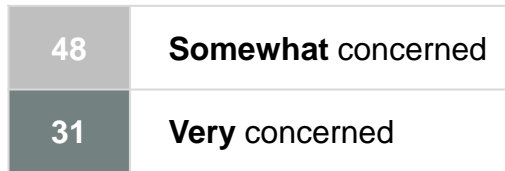
MAJORITY CONCERNED COMPANIES WILL NOT BE ABLE TO MEET NET-ZERO COMMITMENTS

Percent of investors who are concerned

I'm concerned companies are **not effectively executing on their Net Zero Pledges**

Global 7

79%



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q29: Thinking about your investment strategy over the next 6-12 months, to what extent, if at all, are you concerned about each of the following? Concerned (T2B) Summary, Very Concerned (T1B) Base: 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

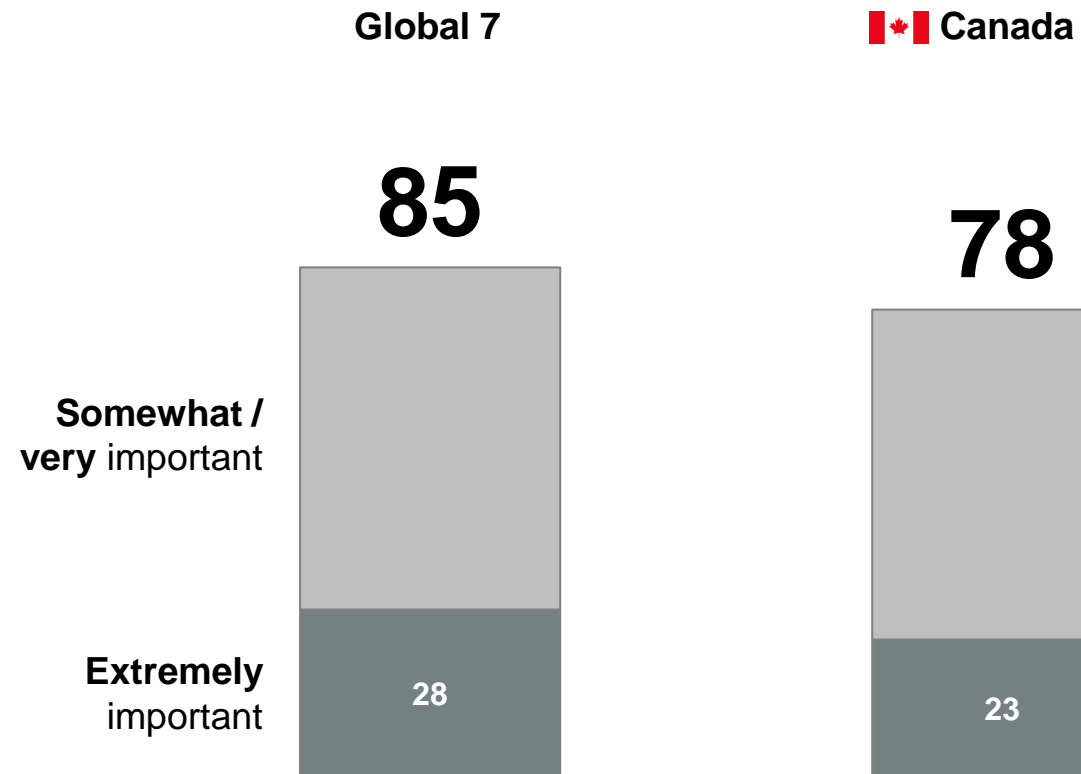


EMPLOYEE ACTIVISM: FROM RISK
TO ASSET

VIBRANT WORKPLACE CULTURE IMPORTANT TO INVESTORS

Percent of investors who say

Having a **workplace culture that fosters employee empowerment** is important for building trust in a company I'm considering investing in



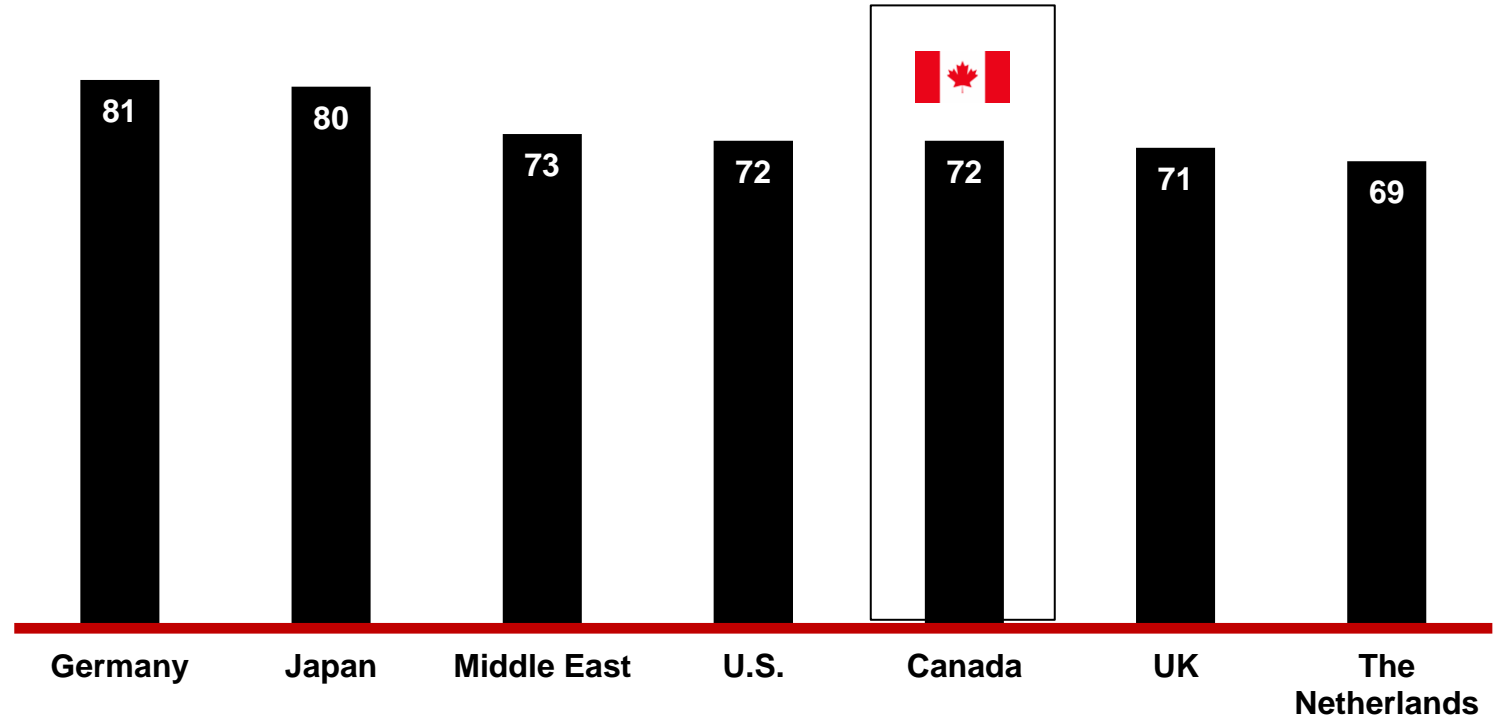
INVESTORS WATCHING EMPLOYEE-EMPLOYER DYNAMIC CLOSELY

Global 7

74%

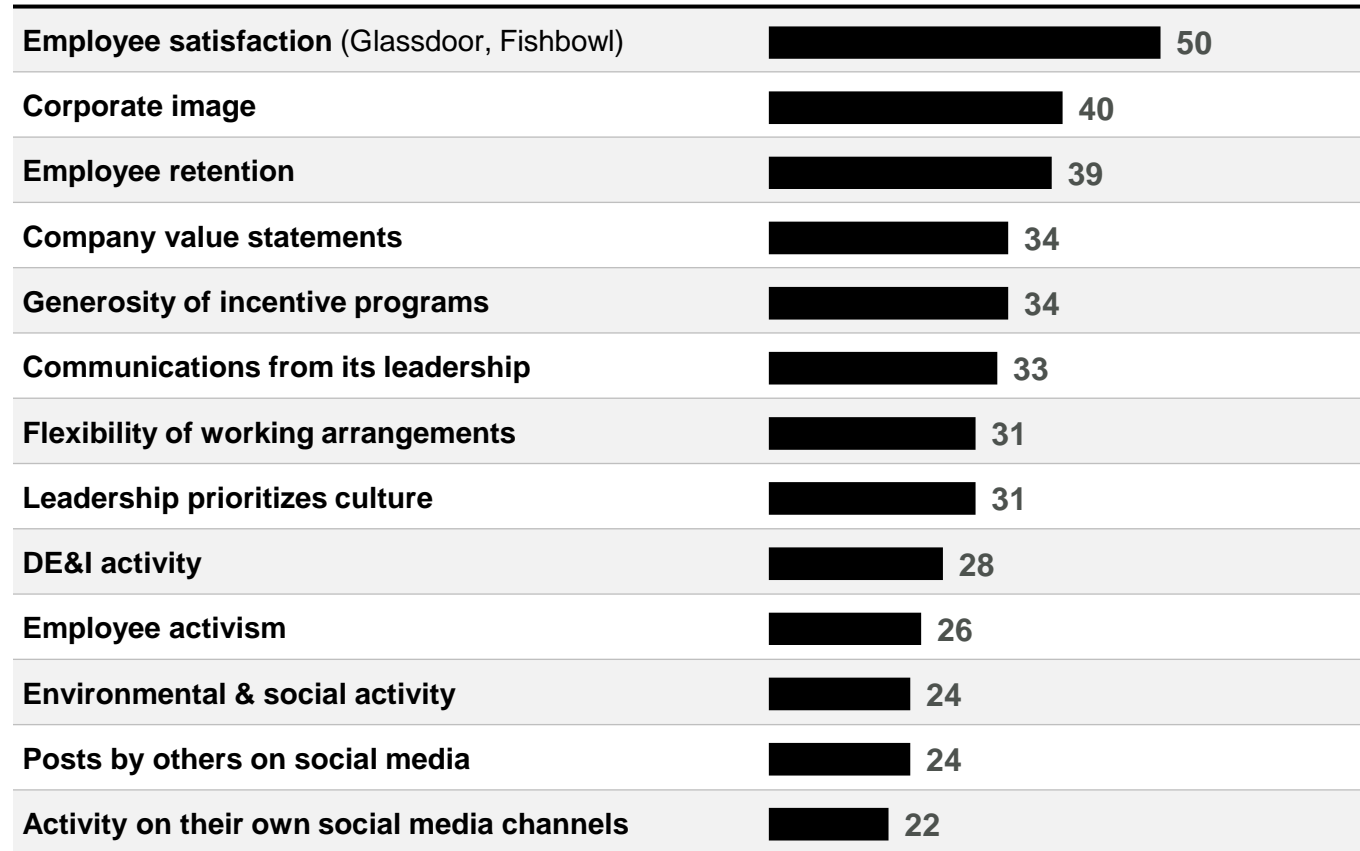
Employee activism within a company is indicative of....

a **healthy workplace culture**, good leadership and/or highly engaged workforce



INVESTORS CONDUCTING DEEP ANALYSIS OF COMPANY CULTURE

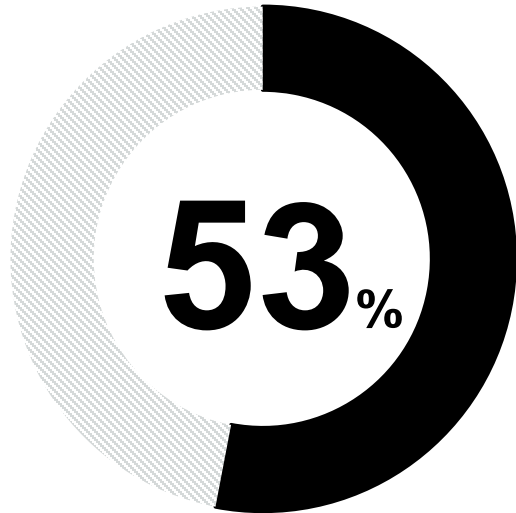
Among investors who say employee empowerment is important to trust, percent who use each to assess company culture among Canadian Investors



72%

use 3 or more sources to assess company culture

BOARDS NOW HELD ACCOUNTABLE FOR WORKPLACE CULTURE



Agree that it is important for a board of directors to be **held accountable for maintaining a positive company culture**

Percent who rank each as one of the **top 3 most important expectations** for the board of directors within a company of interest

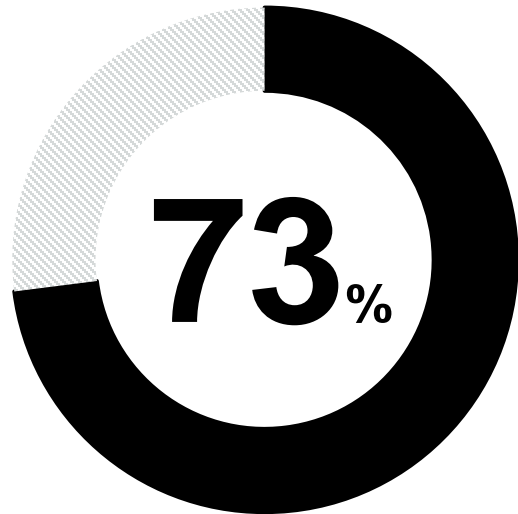
Be proactive in removing CEOs when performance is lagging	38
Manifest diversity across demographics, skillset, perspectives	37
Play an explicit role in strategy execution / development	33
Be held accountable for maintaining positive company culture	31
Be visible during major announcements and executive transitions	30
Engage with investors directly	29
Ensure CEO compensation is linked to company performance	26
Ensure CEO compensation is linked to ESG performance	26



SHAREHOLDER ACTIVISM FIRMLY
ROOTED IN CANADA

CANADIAN INVESTORS EXPLORING WAYS TO BECOME MORE ACTIVIST

Percent who agree, among Canadian investors



We are **more interested in taking an activist approach** to investing

Specific ways their firm is trying to be more activist

Work with the company

*Asking to meet with company management
Actively seek audience with the board*



Use moderate pressure

*Submit ESG proposals
Vote against executive compensation
Nominate candidates; withhold votes from board members*



Use aggressive pressure

*Pressure management for operational/governance changes
Publicize concerns with company strategy*



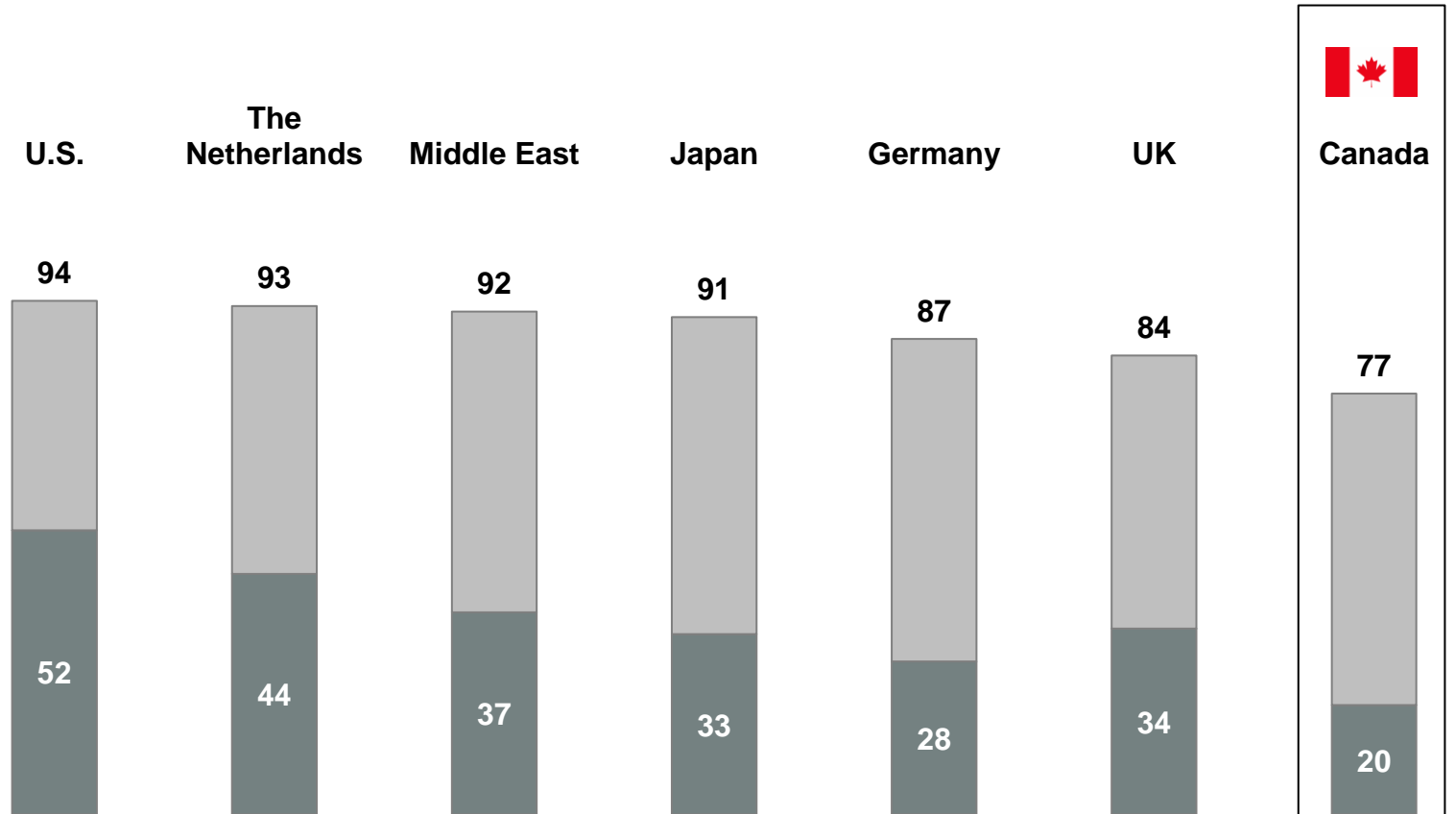
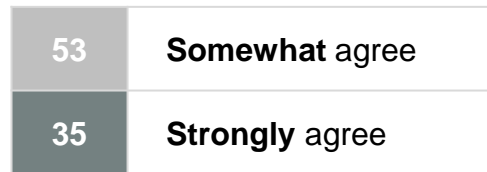
CANADIAN INVESTORS PROACTIVELY APPROACH ACTIVISTS TO EFFECT CHANGE AT COMPANIES

Percent of investors who agree

I proactively approach reputable activists with ideas for effecting change in companies I am or am thinking about investing in

Global 7










88%



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q7. Please indicate the extent to which you agree or disagree with the following statements regarding shareholder activism. "I proactively approach reputable activists with ideas for effecting change in companies I am (or am thinking about) investing in". Showing T1B Strongly Agree. 7-Market Global Average n=700; US n=100, Netherlands n=100, Middle East n=100, UK n=100, Japan n=100, Germany n=100. Canada n=100

INVESTORS MOST LIKELY TO AGITATE FOR EMPLOYEE WELFARE CHANGES

Percent of investors who are likely to engage in **shareholder activism** in regards to the following issues, Canada:

		% investors who are already engaged
Employee welfare	 69	18
Executive compensation	 66	17
Company culture	 64	18
Eco efficiency of company's operations	 63	18
Climate risk	 62	14
Environmental/social impact of supply chain	 62	16
Diversity and inclusion	 59	22
Greenhouse gas emissions	 57	17
Board structure	 54	20

2021 Edelman Trust Barometer Special Report: Institutional Investors Q8_1. How likely, if at all, are you to engage in shareholder activism with regards to the following issues? Showing 'I have already engaged in activism around this issue' and Likely to engage; Somewhat/Very likely to engage. Base: Canada n=100

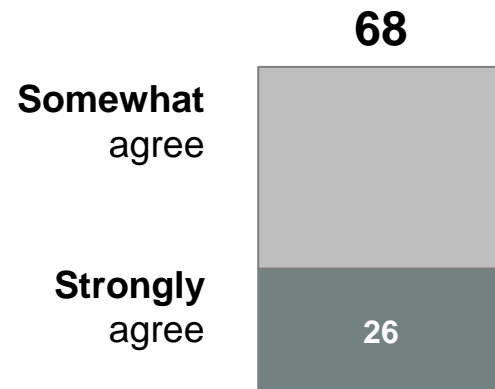


THE RISE OF THE RETAIL
INVESTOR

INSTITUTIONAL INVESTORS WATCHING ONLINE COMMUNITIES FAR MORE CLOSELY

Percent who agree, among Canadian investors

WallStreetBets and other online communities
influence my investment decisions



WallStreetBets and other online communities
can create false markets



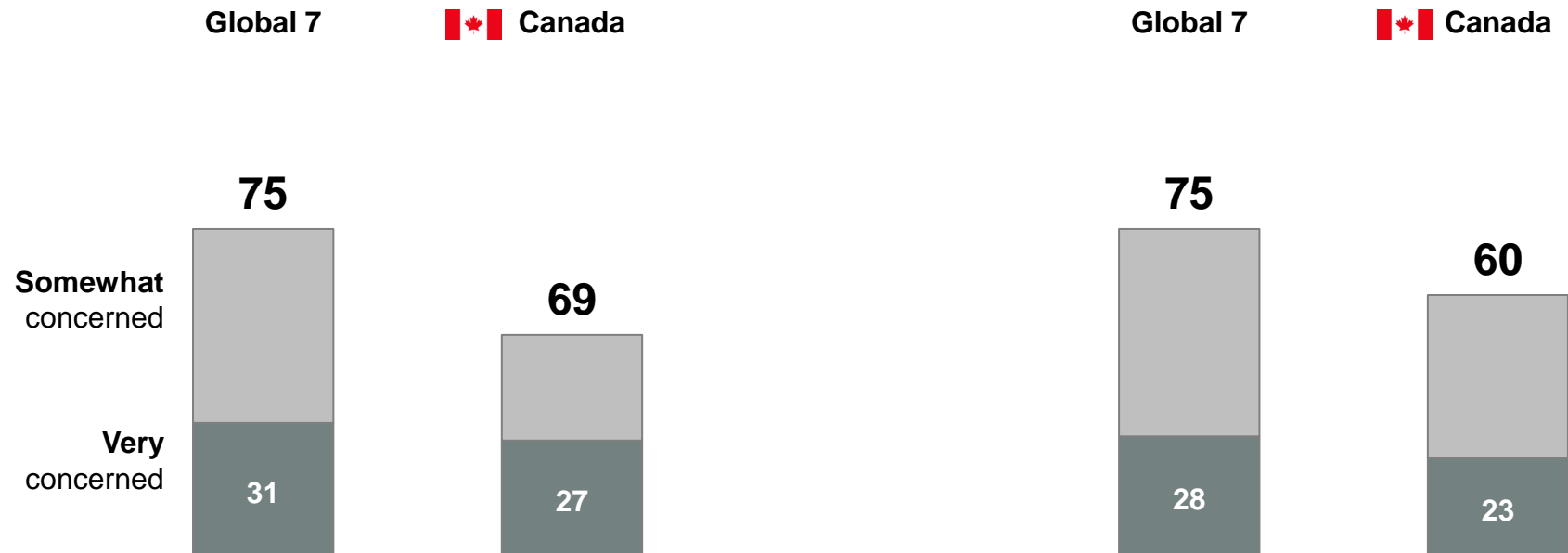
INSTITUTIONAL INVESTORS THREATENED BY MEME STOCK ACTIVISTS

Percent of investors who say

I am concerned about...

Recent surges in retail investment activity

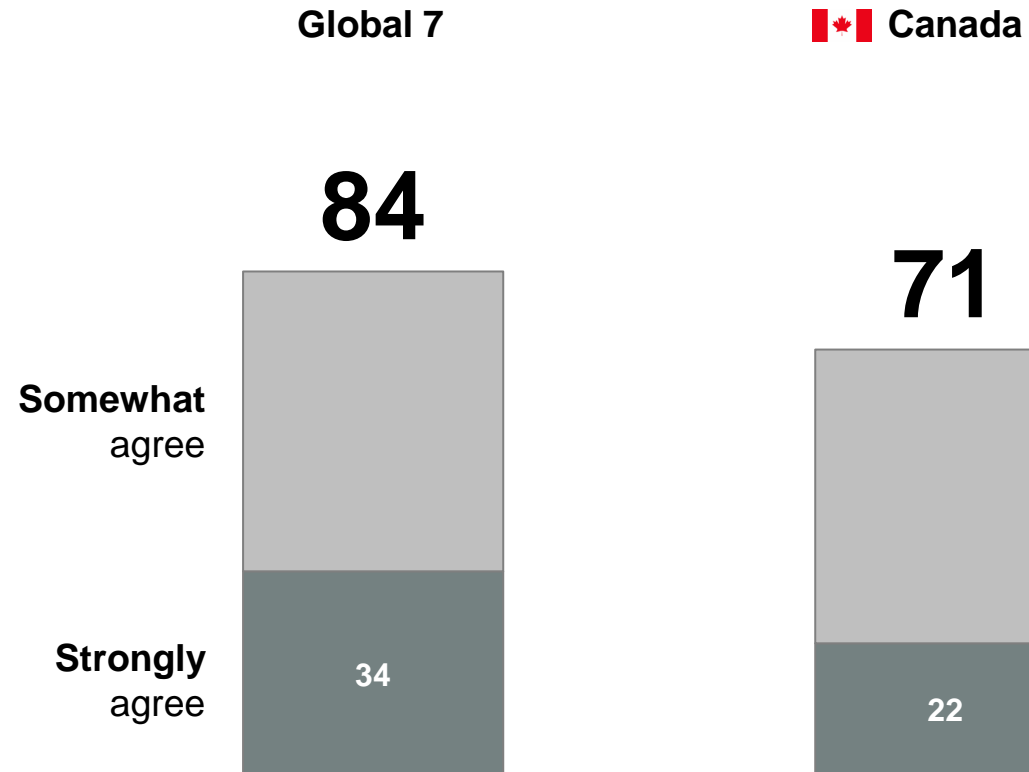
The rising impact of meme stock activists



INSTITUTIONAL INVESTORS VIEW MEME STOCK PHENOMENON AS AN ATTACK

Percent of investors who agree

Meme stocks represent a **targeted attack against institutional investors** like myself or my firm



NAVIGATING THE CHANGE IN INVESTOR PRIORITIES

1

Approach ESG reporting with the same rigor as financial reporting

Integrate ESG planning into operational decisions

Involve relevant Finance functions for data gathering and ESG reporting

2

Develop an achievable and evidence-based Net Zero plan

Build an implementation plan with clear board-level accountability

Report on progress, setbacks and changes in the plan

Avoid confusing carbon neutral with net zero

3

Employee engagement and workplace culture must be priorities

Survey employee base consistently to better understand what's important to them

Roll out tools to ensure two-way communication with employee base

Update employees regularly on plans and changes in strategy

4

Refresh activism threat assessment and preparedness

Engage with governance and PM teams

Develop an ESG-specific activism playbook

Stay on top of shareholder proposal trends

5

Consider the role that retail investors can play in your strategy

Enhance digital channels for Investor Relations

Scenario plan for possible meme-stock status

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SUPPLEMENTAL DATA

T

INVESTORS USE A RANGE OF SOURCES TO EVALUATE ESG, WITH NO CLEAR GO-TO SOURCE

Percent who say each information source is useful for evaluating ESG performance, among Canadian investors

■ Somewhat useful
■ Very useful

