

## NEW RESEARCH: CANADIAN INVESTORS LOSING TRUST IN COMPANIES' ESG AND NET ZERO COMMITMENTS AND DISCLOSURE

*72 per cent of Canadian institutional investors do NOT trust companies to achieve their stated sustainability, ESG and DEI commitments*

*77 per cent believe companies frequently overstate or exaggerate their ESG progress when disclosing results*

*74 per cent now subject ESG to the same scrutiny as operational and financial performance*

*74 per cent are specifically looking for instances when companies do not deliver on ESG promises*

*71 per cent are concerned companies are not effectively executing on their Net Zero pledges*

**TORONTO, ON, November 17, 2021** – New research released today by Edelman Smithfield in Canada highlights a sharp rise in skepticism and increased scrutiny by Canadian institutional investors of environmental, social and governance (ESG) initiatives and related disclosure by Canadian issuers. The Canadian findings of the fifth annual [Edelman Trust Barometer Special Report: Institutional Investors](#) note that, while the majority of Canadian investors surveyed continue to believe that companies that deliver strong ESG performance deserve a premium valuation, the majority question the accuracy of the ESG disclosure they examine, have doubts about companies' ability to achieve their stated ESG commitments, and are pushing for mandatory and standardized ESG disclosure requirements.

"The latest special edition of the Edelman Trust Barometer spotlights a marked shift in investor sentiment around ESG commitments and disclosure," said David Ryan, Managing Director, Edelman Smithfield. "Over the last several years, the story around ESG has largely focused on investors rewarding companies that led the way with their ESG initiatives. In 2021, investors began looking at ESG through a much more critical lens, with many expressing a lack of confidence in companies' ability to deliver on their ESG or Net Zero commitments. The tone has shifted from interest and appreciation to skepticism and a notable lack of trust in the ESG story."

"For issuers, this research underscores the need for companies at all stages of their ESG journey to be meticulous in establishing ESG commitments and related disclosure, with an emphasis on programs that are achievable and measurable. It reinforces the notion that ESG reporting is not a public relations exercise; ESG initiatives are now a fundamental component of a company's operational and capital allocation plans. Our research makes that clear that investors are now scrutinizing ESG performance with the same rigor as operational and financial metrics," added Ryan.

The 2021 special edition of the Edelman Trust Barometer found that 72 per cent of Canadian institutional investors do not trust companies to achieve their stated sustainability, ESG and DEI commitments; 23 per cent of investors strongly agree with that statement. Further, three in four Canadian investors admitted to now scrutinizing corporate disclosure looking for incidents of greenwashing or specific examples of companies failing to deliver on their ESG promises. 82 per cent of Canadian investors believe this critical evaluation will result in a rise in ESG-related litigation.

The special edition of the Edelman Trust Barometer surveyed 700 institutional investors, including financial analysts, chief investment officers and portfolio managers across seven markets (U.S., Canada, U.K., Germany, the Netherlands, Japan and the Middle East).

Other notable highlights from the 2021 Canadian findings of the Edelman Trust Barometer Special Report: Institutional Investors include:

- **Canadian investors expect to see Net Zero pledges**  
76 per cent of Canadian institutional investors expect companies in which they invest to establish and communicate a plan for achieving Net Zero emissions, and 73 per cent of investors in Canada believe companies that have articulated a clear Net Zero plan deserve a premium. Conversely, 71 per cent of Canadian investors fear companies won't be able to meet those climate change commitments.
- **Employee activism shifted from risk to asset for Canadian investors**  
72 per cent of Canadian investors surveyed believe employee activism is indicative of a healthy workplace culture and an engaged workforce. A majority (53%) of Canadian investors said culture is now one of the most important responsibilities of a company's Board of Directors.
- **Canadian investors continue to grow more comfortable with shareholder activism**  
73 per cent of Canadian investors surveyed confirmed they are more interested in taking an activist approach to investing. The most popular actions identified by investors include submitting ESG proposals, voting against executive compensation and withholding votes for board members.
- **Canadian investors less likely than their US or global counterparts to proactively engage activists**  
Despite increasing comfort with shareholder activism, only 20 per cent of Canadian investors strongly agreed that they would proactively approach a reputable activist to effect change at a company, compared to 52 per cent of US investors and a seven-market average of 35 per cent.
- **Institutional investor concern over "meme stock" activists is real**  
60 per cent of Canadian investors expressed concern about the rising impact of "meme stock" activists and 78 per cent agreed that WallStreetBets and similar online communities can create false markets. 71 per cent of Canadian institutional investors believe the creation of meme stocks represents a targeted attack against institutional investors like themselves. Globally, 84 per cent of investors surveyed believe meme stocks represent an attack against them.

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

The Edelman Trust Barometer Special Report: Institutional Investors is a supplement to the Edelman Trust Barometer, which is released annually at the World Economic Forum each January. This year's report surveyed 700 institutional investors, including financial analysts, chief investment officers and portfolio managers across seven markets (U.S., Canada, U.K., Germany, the Netherlands, Japan and the Middle East).

#### **About Edelman Smithfield**

Edelman Smithfield 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.

For more information on Edelman Smithfield in Canada, visit: [www.edelman.ca/smithfield](http://www.edelman.ca/smithfield)

### **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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