Responsible Investment Association

2020 RIA INVESTOR OPINION SURVEY

Canadian Investor Perspectives on Diversity & Inclusion

OCTOBER 2020

Partner

AGF

Partner

Desjardins

Table of Contents

Foreword

B*y Judy G. Goldring LL.B, LL.D, ICD.D, President and Head of Global Distribution, AGF Management Limited*

At AGF, we believe that smart corporate decision-making requires different points of view, which come from people with diverse backgrounds, experiences and perspectives working together. The research on this subject is conclusive – diversity is good for companies.

Our commitment to diversity is ingrained in our culture. For example, we are proud to be leaders in our industry with women comprising 40% of our Board and 33% of senior management roles. However, the events of 2020 highlight the crucial need for companies to rigorously evaluate practices to accelerate change.

While continuing to gauge knowledge and interest in responsible investments, the 2020 RIA Investor Opinion Survey focused on this very timely topic – diversity in leadership positions and the importance of Canadian companies creating more inclusive workplaces.

AGF is committed to fostering a supportive and inclusive culture in which all voices are heard, respected and valued. Embracing the strength found through diversity while providing a workplace that puts the physical and mental health and well-being of our employees first increases our ability to serve and support each other, our clients and our communities.

And the vast majority of Canadians agree with this way of thinking. 85% of respondents to the RIA survey strongly or somewhat agreed that Canadian corporations should provide more leadership opportunities to qualified women and qualified people of diverse backgrounds.

An overwhelming majority (89%) of respondents stated it was “very” or “somewhat” important that Canadian companies create more inclusive workplaces that are free of discrimination, of which 61% said it was “very” important.

At AGF, we want to be part of a positive change and are continually examining our practices and providing forums for dialogue to ensure we are living daily our commitment to diversity and inclusion.

Canadians’ views related to diversity also extend to the role of investment managers. A majority of respondents indicated they would want their investment manager to take action when a company is shown to have a culture of discrimination against women and diverse groups, while a strong majority of respondents agreed (strongly or somewhat) that they would like a portion of their investment portfolio to be invested in organizations that are providing opportunities for the advancement of women and diverse groups.

These findings indicate that Canadians are ready for change and now is the time to take action and advance conversations around diversity and inclusion.

At AGF, we know that sound, forward-thinking practices related to environmental, social and governance factors will allow us to continue to evolve and thrive as a global asset management firm.

Methodology

This report is based on findings from an Ipsos poll conducted for the Responsible Investment Association from September 3rd to 7th, 2020. For the survey, a sample of 1,000 Canadian investors was interviewed online. For the purposes of this research, investors are defined as individuals who currently own investments such as mutual funds, exchange-traded funds, stocks, bonds, or other securities.

Ipsos measures the precision of online polls using a Bayesian credibility interval. In this case, the poll has a credibility interval of plus or minus 3.5 percentage points. This is comparable to a "classical" margin of error of plus or minus 3.0 percentage points. For more information about credibility intervals, please read this statement from Ipsos. The data were weighted to the Canadian population data by region, gender, age, and education.

Note that for the purpose of this survey, the classification of gender was limited to male/female to correspond to data available through the most recent (2016) Census of Canada, which has yet to implement other categories for gender. We have engaged with our data provider to express our view that the gender categories should be more inclusive.

Related Research and Publications

- 2019 RIA Investor Opinion Survey
- 2018 RIA Investor Opinion Survey
- 2018 Canadian Responsible Investment Trends Report
- Canadian Investor Statement on Diversity & Inclusion

Acknowledgements

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Special thanks to Desjardins for financial support which made this research possible.

And thanks to Kate Fane for contributing her research and writing expertise to this project.

About the RIA

The RIA Investor Opinion Survey is released annually by the Responsible Investment Association (RIA), Canada's industry association dedicated to responsible investing. RIA members include fund companies, financial institutions, asset management firms, asset owners, advisors, research firms, consultants and others who practice and support the incorporation of environmental, social and governance (ESG) factors into investment decisions. Learn more at www.riacanada.ca

Background

The 2020 RIA Investor Opinion Survey examines Canadian investors' attitudes towards responsible investing (RI)—an investment approach that incorporates environmental, social and governance (ESG) considerations into the selection and management of investments. This is the RIA's fifth annual survey of individual investors, and is based on data from 1,000 investors across Canada.

The first section of the report examines investors' interest, knowledge, and ownership of RI—and compares results over time. The second section reveals their perspectives on the issue of diversity and inclusion in corporate leadership, and explores how these perspectives might inform their future investing decisions.

Total RI assets under management in Canada now exceed $2.3 trillion[1]. Given such significant capital being directed into RI strategies, this survey provides important insights for financial advisors and financial institutions about individual investors' interest in RI and their attitudes towards diversity, inclusion and equity as it manifests within their portfolios.

[1] Responsible Investment Association (2018). 2018 Canadian RI Trends Report.

Executive Summary

The 2020 RIA Investor Opinion Survey examines Canadian individual investors' perspectives on responsible investing (RI), which incorporates environmental, social, and governance (ESG) factors into investment decisions.

Our survey data, collected from 1,000 individual investors by Ipsos, indicates that overall knowledge levels and interest in RI are comparable to 2019, while ownership rates have slightly increased. A large majority of respondents would like their financial advisors to present them with investment options that align with their ESG preferences.

These sentiments are increasingly stratified by age group. This year, younger investors reported significantly higher levels of interest, knowledge, and ownership, while the levels for older generations held steady.

In light of the ongoing global reckoning on racial injustice, this year's survey also documents investors' attitudes towards diversity & inclusion—particularly, how principles of equity and anti-racism could manifest in their portfolios and affect their investment decisions. Across demographic groups, the vast majority of investors wish to invest in companies that are fostering inclusive workplaces and diversity in their leadership.

These findings demonstrate the opportunity for financial professionals to add value to client relationships by informing them about RI and providing them with options to use their investments to encourage Canadian companies to prioritize equity and diversity in their operations.

Key Findings

Interest in RI and the desire for more information about RI remain strong.

- 72% of respondents are interested in RI, which is consistent with our 2019 survey.
- While 75% of respondents agreed they would like their financial services provider to inform them about responsible investments that are aligned with their values, only 28% have been asked about RI options.

RI interest and ownership are increasingly demographically stratified.

- 83% of the 18-34 age group are interested in RI and 50% reported they currently own responsible investments. This stands in contrast to 59% of respondents aged 55+ being interested in RI and 20% owning RI.
- Nearly half (45%) of respondents said they are more likely to choose RI than they were a year ago. This percentage jumps to 59% of the 18-34 age group, 51% of university graduates and 58% of households with kids. These figures may be attributable to the pandemic and racial injustice reckoning of 2020, which have led to a greater focus on societal challenges.

Respondents are overwhelmingly concerned about diversity in corporate leadership, and are willing to take action to create change.

- 89% of respondents believe it is important that Canadian companies create inclusive workplaces that are free of discrimination.

- 85% say Canadian companies should provide more leadership opportunities to qualified women and people of diverse backgrounds. 76% say they should set goals for more diversity in leadership.
- 72% want their fund manager to engage Canadian corporations to encourage more diversity in leadership, and 66% would want them to take action if a company was known to have a culture of discrimination.
- 73% would like a portion of their portfolio to be invested in organizations providing opportunities for the advancement of women and diverse groups.

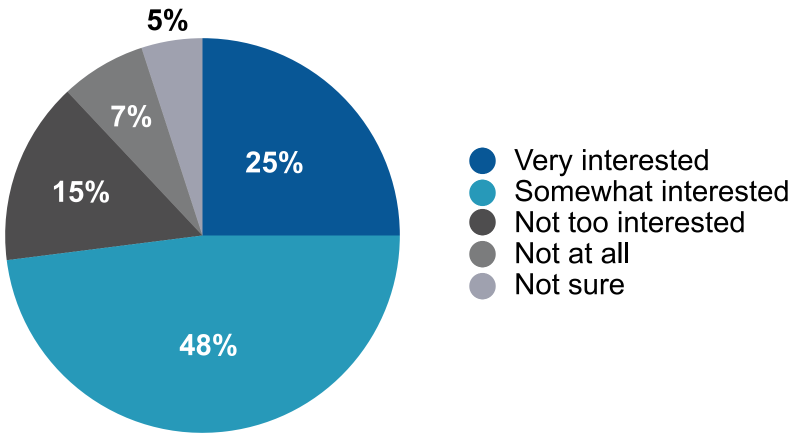
Interest in Responsible Investing Remains High

Investments in Canadian RI funds have surged. Morningstar reported that during the first quarter of 2020, inflows into responsible investment funds outpaced the whole of 2019[2]. And, amid unprecedented market volatility in early 2020 caused by the COVID-19 pandemic, RI funds showed strong results: 83% of RI funds outperformed their average asset class return in the first quarter of 2020.[3]

As the COVID-19 pandemic continues to reveal deep inequalities in our society, the survey data suggests that social and environmental issues are top of mind for many investors.

As shown in the chart below, 72% of respondents said they were “very” or “somewhat” interested in RI. The level of interest in RI has held steady since 2019 (72%), and represents a leap from the 60% of respondents who expressed interest in RI in 2018.

To what extent are you interested in responsible investments that incorporate environmental, social and governance factors?



[2] Morningstar, Inc. (2020). Canadian ESG funds grew faster.
[3] Responsible Investment Association (2020). Responsible Investment Funds in Canada: Highlights from Q2 2020.

Demographic insights

Women (75%) expressed somewhat higher interest in RI than men (70%), and both groups saw increases from 2018, when 64% of women and 57% of men reported interest in RI.

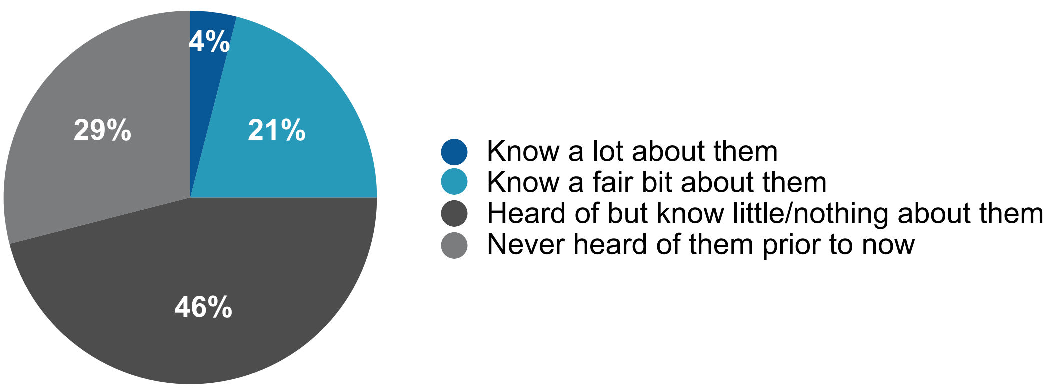
As seen in previous surveys, there was a significant difference in interest levels by age group, with younger investors expressing greater interest in RI. Among the 18-34 age group, 83% of respondents reported interest in RI, which is similar to the result in 2019. Among those aged 55+, 59% of respondents reported interest in RI, a slight decline from 64% in 2019.

By education level, respondents with higher levels of education generally reported stronger interest in RI. While 78% of university graduates expressed interest in RI, this compares to 70% of those with some post-secondary education and 60% of those with a high school education or less. Respondents with children (83%) were more likely than those without (69%) to be interested.

Moving from Interest to Ownership

While gaps between respondents' levels of interest and knowledge of RI persist, investors are clearly interested in RI and ownership of RI is on the rise.

To what extent are you knowledgeable about responsible investments that incorporate environmental, social and governance issues?

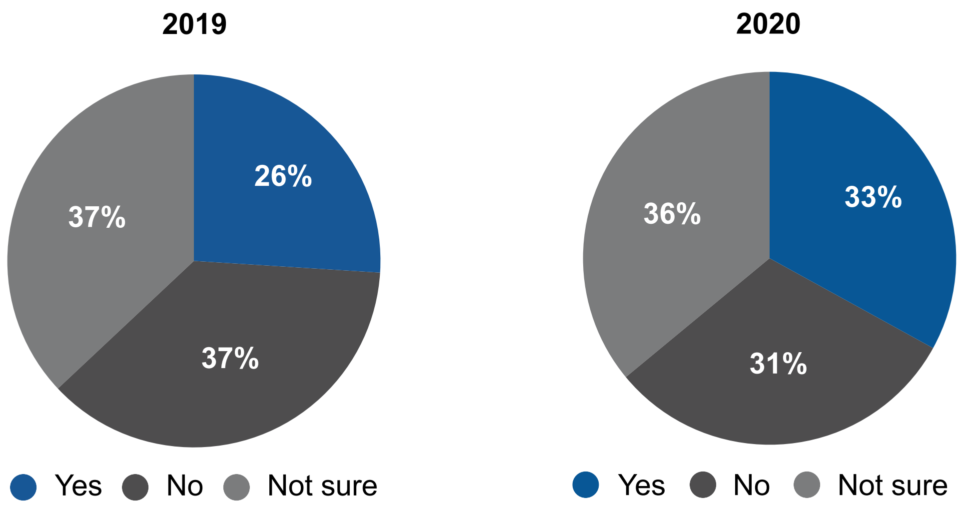


As shown in the chart above, 75% of respondents reported knowing little or nothing about RI—with 29% saying they had never heard of it before. Knowledge levels have improved somewhat since 2018, when 81% had little or no knowledge, but have not changed significantly since 2019 (72%).

Demographic factors continue to influence which investors are narrowing the gap between their level of RI interest and knowledge. Consistent with last year's survey, respondents reporting higher RI knowledge were men (29% vs. 23% of women), in the 18-34 age group (31% vs. 17% of those 55+), with a university education or higher (28% vs. 17% those with high school or less), or have kids (39% vs. 21% without).

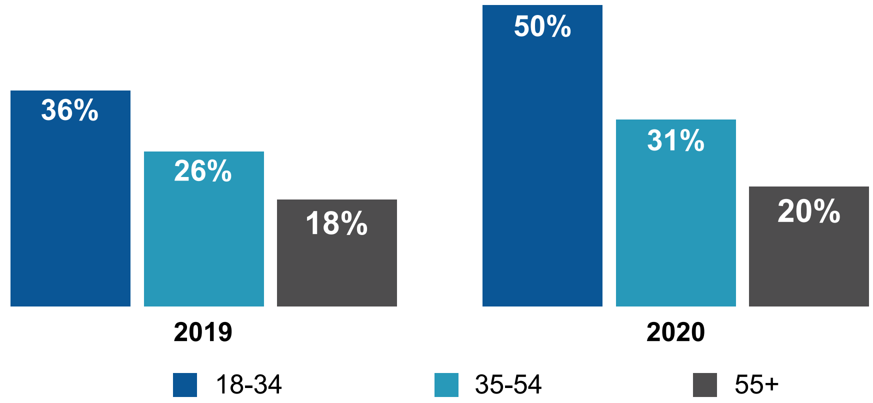
This increased demographic stratification represents a marked shift from 2018, when 18-20% of respondents in each age group reported "a fair bit" or "a lot" of knowledge about RI.

Do you currently own responsible investments that incorporate environmental, social and governance issues?



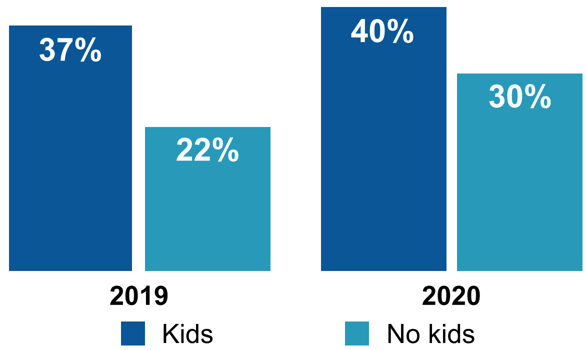
This year's survey data suggest that RI ownership has increased compared to last year. As shown in the charts above, 33% of respondents stated they own responsible investments that incorporate ESG factors, up from 26% in 2019. In a finding consistent with respondents' overall reported lack of RI knowledge, 36% stated they weren't sure.

Percentage of respondents who currently own responsible investments that incorporate ESG issues, by age group:



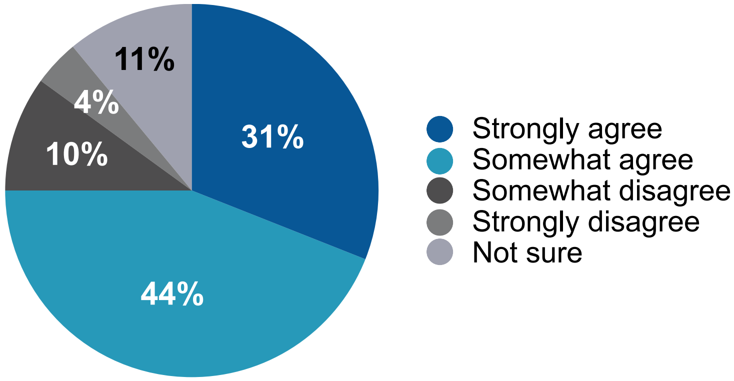
While RI ownership has increased across all age groups, the charts above show that the 18-34 cohort leads the pack: 50% of these younger investors responded that they now own RI, demonstrating a significant jump from 36% in 2019. Comparatively, just 20% of respondents age 55+ own RI, similar to 18% in 2019.

Percentage of respondents who currently own responsible investments that incorporate ESG issues, by household composition:



By household composition, 40% of respondents with kids reported they own RI, similar to 37% in 2019. RI ownership increased in households without kids, from 22% of respondents in 2019 to 30% of respondents in 2020 stating that they currently own RI. The chart above presents these data.

Do you agree or disagree with this statement? – *"I would like my financial advisor or financial institution[4] to inform me about responsible investments that are aligned with my values."*



In a finding consistent with their interest levels, a large majority (75%) of respondents somewhat or strongly agreed they would like their financial services provider to inform them about responsible investments that are aligned with their values.

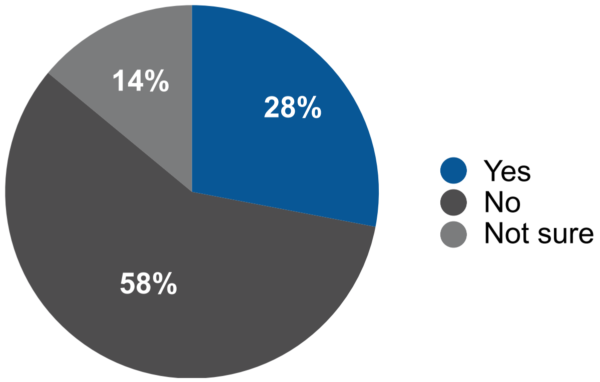
The desire to be informed about RI was highest among those aged 18-34, with 82% strongly or somewhat agreeing that they would like to be informed about RI options by their financial services provider. Similarly, 81% of those aged 35-54 agreed they would like to be informed, as did 62% of those aged 55+.

Women were somewhat more likely than men to agree that they want to be informed (77% vs. 72%). Agreement also increased with education level, as 80% of university-educated respondents agreed they would like to be informed about RI options, compared to 69% of respondents with a high school

[4] For this survey, "financial institutions" include banks, credit unions, brokerages, self-directed trading platforms, and other investment services.

education or less. Among respondents with kids, 83% were in agreement compared to 72% of those without kids.

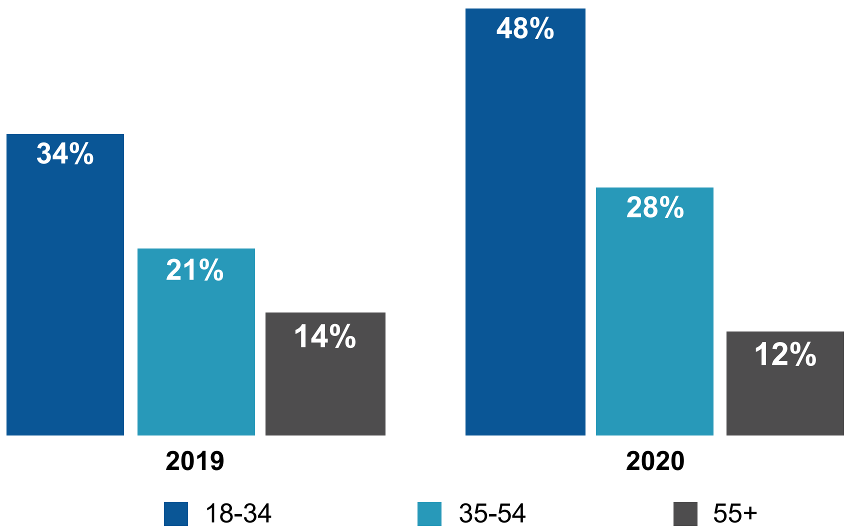
Has your financial advisor or financial institution ever asked if you are interested in responsible investments that are aligned with your values?



Despite their desire for information, the chart above shows that only 28% of respondents have been asked if they are interested in RI by their financial advisor or institution. This represents a modest increase of just 5% of respondents compared to 2019.

By gender, 35% of male respondents, compared to 22% of female respondents, have been asked if they are interested in RI. While 36% of respondents with kids have been asked about RI, only 26% of those without kids have been asked.

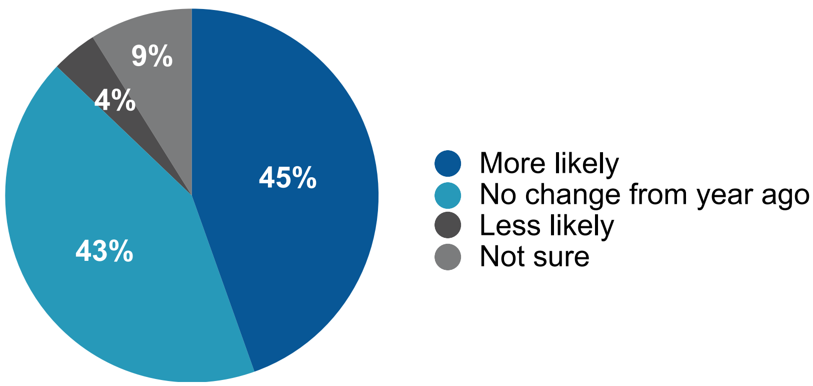
Percentage of respondents who have been asked if they are interested in RI, by age group:



The chart above shows a notable variation in responses by age group. Among the 18-34 age group, 48% of respondents have been asked if they are interested in RI, which is much higher than the 34% reported in 2019. This stands in contrast to the 55+ age group where a mere 12% have been asked if they are interested in RI.

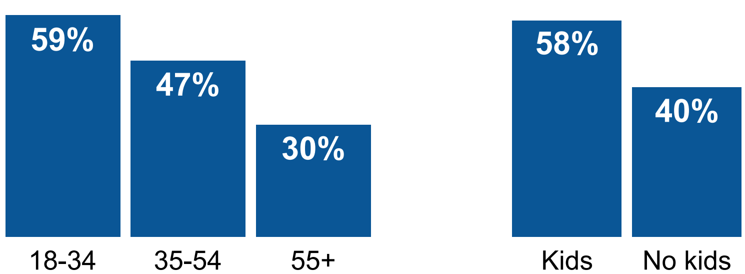
These survey results suggest that advisors may be targeting discussions about RI with younger investors, in response to myriad research indicating that younger investors tend to be more interested in RI.

Would you say that you are more or less likely to choose responsible investments than you were one year ago?



In a new question for 2020, we sought to hear directly from respondents how their attitudes towards RI have shifted in the past year. With the global COVID-19 pandemic, the associated economic fallout and reckoning on racial injustice, we were curious whether these changes may have influenced investors to consider the environmental and social issues associated with their investments. As shown in the chart above, nearly half (45%) of respondents stated they were more likely to choose RI than they were a year ago, while 43% reported no change in their intentions.

Respondents who are more likely to choose responsible investments than one year ago, by age group and household composition:



A majority 59% of respondents in the 18-34 age group stated they were more likely to chose RI, compared with 47% of the 35-54 group, and 30% of those 55+. By household composition, a majority 58% of respondents with kids were more likely to choose RI, compared to 40% of those without.

These results indicate possible momentum for RI going forward, particularly among younger investors, and investors with kids.

In summary, this year's survey results are consistent with our previous surveys in revealing the RI knowledge gap: while the majority of the Canadian investors surveyed continue to be interested in RI, their knowledge levels on the subject are lacking. They continue to look to their financial advisors and financial institutions for information about investments that are aligned with their values, but most investors report not receiving that information. The survey data also reveal how younger investors aged 18-34 are differentiating themselves by their current levels of RI ownership, and their increased likelihood of choosing RI.

In Focus: Diversity and Inclusion

The tragic killing of George Floyd in May 2020 marked a tipping point for confronting racial injustice in North America and beyond, sparking public outrage that continues to this day. It's clear that we are experiencing a racial injustice reckoning—one that is prompting new dialogues about the need for equity, diversity, and inclusion, and inspiring discussions about how anti-racism can be put into practice within our workplaces.

The corporate world is not exempt from these inequities. Black, Indigenous, and racialized people in Canada are vastly under-represented in corporate leadership. According to research conducted by Norton Rose Fulbright, a law firm, although members of visible minorities make up 28.4% of the Canadian population, corporate diversity disclosures reveal that racialized people hold just 4.7% of board seats and 7.4% of senior executive positions in Canada.[5]

And, while progress has been made in the advancement of women on boards and in senior leadership positions in Canada, Norton Rose Fulbright's analysis also found that women continue to be insufficiently represented in corporate Canada, as they hold only 19% of board seats and 17.1% of executive positions[6]—despite making up half of the Canadian population.

Racial and gender inequities in corporate Canada also mean lost opportunities for companies and investors. There is strong evidence showing that diversity and inclusion can strengthen corporate financial performance:

- Companies with the most ethnically diverse executive teams are 33% more likely to outperform their peers on profitability, while companies with the most ethnically diverse boards worldwide are 43% more likely to see higher profits.[7]
- A 1% increase in ethnocultural diversity is associated with an average 2.4% increase in revenue and a 0.5% gain in workplace productivity.[8]
- Companies in the top quartile for gender diversity on executive teams are 25% more likely to have above-average profitability than companies in the fourth quartile. In the case of ethnic and cultural diversity, top-quartile companies outperform those in the fourth by 36% in terms of profitability.[9]

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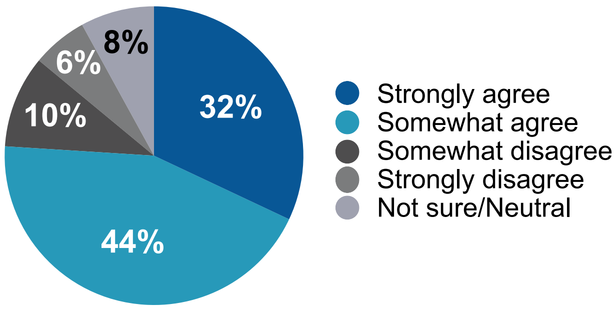
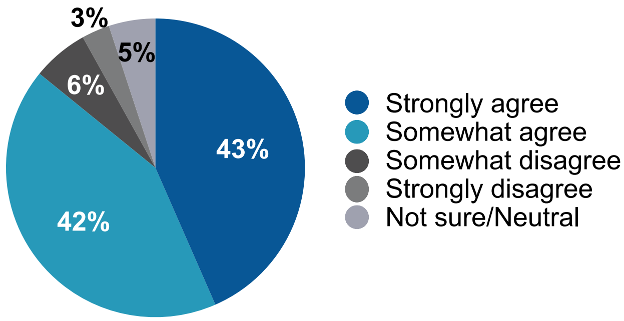
[5] Norton Rose Fulbright Canada LLP (2020). Diversity and inclusion: A look at current disclosure, challenges and improvements.
[6] Ibid.
[7] McKinsey & Company (2018). Delivering Through Diversity.
[8] Centre for International Governance Innovation and The Pierre Elliott Trudeau Foundation (2017). Diversity Dividend: Canada's Global Advantage.
[9] McKinsey & Company (2020). Diversity wins: How inclusion matters.

Do you agree or disagree with the following statement?

"Canadian corporations should set goals to have more diversity in leadership positions."



"Canadian corporations should provide more leadership opportunities to qualified women and qualified people of diverse backgrounds."

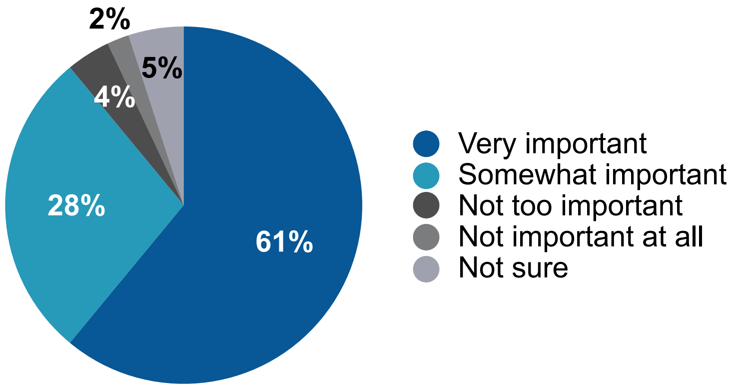


A large majority of survey respondents expressed concern about the lack of diversity in corporate leadership, and reported strong interest in strategies to promote diversity and inclusion within the companies in their portfolios.

As shown in the charts above, about three-quarters (76%) of respondents strongly or somewhat agreed that Canadian corporations should set goals to have more diversity in corporate leadership. This sentiment was markedly higher in women, with 82% of female respondents agreeing that Canadian corporations should set diversity goals, compared to 70% of male respondents.

An overwhelming majority (85%) of respondents strongly or somewhat agreed that Canadian corporations should provide more leadership opportunities to qualified women and qualified people of diverse backgrounds. The response was again higher for women (90% vs. 80% of men), but there was minimal differentiation by age, education, household composition, or geography.

How important is it that Canadian companies create more inclusive workplaces that are free of discrimination?



Sentiment was also strong among survey respondents that Canadian companies should create more inclusive workplaces that are free of discrimination.

In November of 2019, Boston Consulting Group published a report on diversity and inclusion in corporate Canada. Their study found that 34% of Canadians who identify with a specific diversity group have experienced discrimination in the workplace. In that particular study, “diversity group” referred to women, people of colour, indigenous, and LGBTQ+.[10] In our survey, respondents were provided with this information, then were asked to rate the importance of Canadian companies creating more inclusive workplaces that are free of discrimination.

As shown in the chart above, the desire for workplaces that are free from discrimination was nearly unanimous among respondents of all demographics. An overwhelming majority (89%) felt it very or somewhat important that Canadian companies create more inclusive workplaces, of which 61% said it was very important.

The combined “very or somewhat important” responses differed somewhat by gender, with women (92%) higher than men (84%). There were minimal differences among age groups, as 91% of the 18-34 age group, 88% of the 35-54 group and 87% of the 55+ age group stated it is important that Canadian companies create more inclusive workplaces.

Likewise, education level had only a small effect on responses, with 92% of university graduates, 87% of those with some postsecondary, and 85% of those with high school or less believing it is “very or somewhat important” for Canadian companies to create more inclusive workplaces.

Taking Action to Support Corporate Diversity and Inclusion

Consistent with the survey respondents’ level of concern about diversity and inclusion, a large majority of survey respondents are interested in proactive strategies to further diversity, anti-racist and inclusive practices within the Canadian companies in which they invest. We presented survey respondents with the following scenario and question:

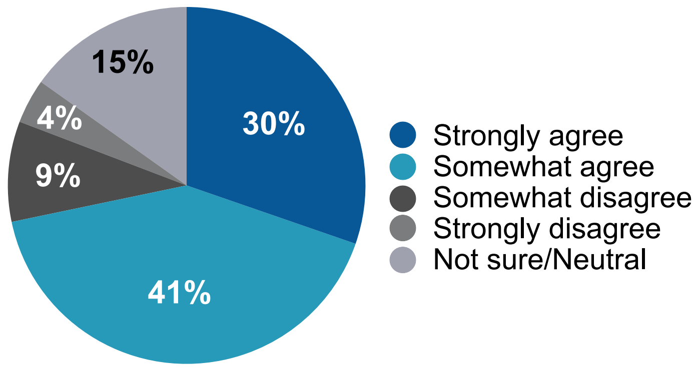
> *Large investment firms such as mutual funds and pension funds often engage with companies to encourage better practices related to social and environmental issues. Let's say you are invested in a fund that includes a portfolio of Canadian corporations. Do you agree or disagree with this statement? – "I would like my fund manager to engage with Canadian corporations to encourage more diversity in corporate leadership."*

As shown in the chart below, a majority 72% of respondents somewhat or strongly agreed with this statement, with women in agreement somewhat more than men (76%, compared to 68%).

> Nearly three quarters of survey respondents somewhat or strongly agreed that they would like their fund manager to engage with Canadian corporations to encourage more diversity in leadership.

[10] BCG Centre for Canada’s Future (2019). Beyond Good Intentions: Bringing an Employee Lens to Diversity & Inclusion in Corporate Canada

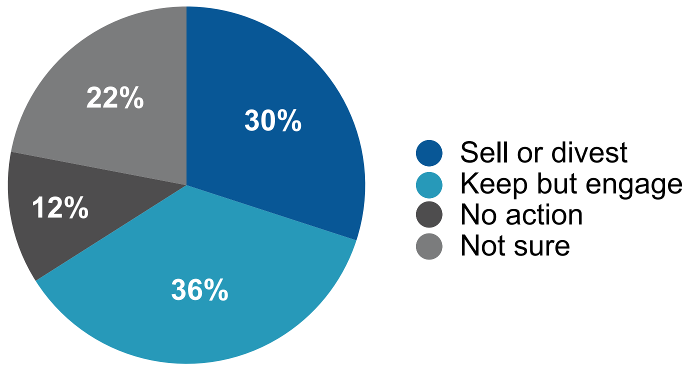
Do you agree or disagree with this statement? - “I would like my fund manager to engage with Canadian corporations to encourage more diversity in corporate leadership."



The combined “strongly or somewhat agreed” responses again differed by age group, with those in the 18-34 group more strongly in agreement at 81%, those 35-54 at 73%, and those 55+ at 63%. By education level, favourable responses increased with education level: 87% of university graduates strongly or somewhat agreed with this statement.

Meanwhile, 78% of households with kids responded they strongly or somewhat agreed with this statement, compared to 70% of those without kids.

If you're invested in a company that has performed well financially in the past, but a news report shows the company has a culture of discrimination against women and diverse groups, what action would you want your investment manager to take?



Over the spring and summer of 2020, many companies faced pressure for workplace cultures that were perceived as hostile to racialized employees.[11] We asked survey respondents how they would want their investment manager to address the issue of discrimination in corporate culture.

A majority two-thirds of respondents (66%) would want their investment manager to take action should they discover they are invested in such companies, but respondents were split on the nature of that action. As shown in the chart above, 30% responded that they would want their manager to

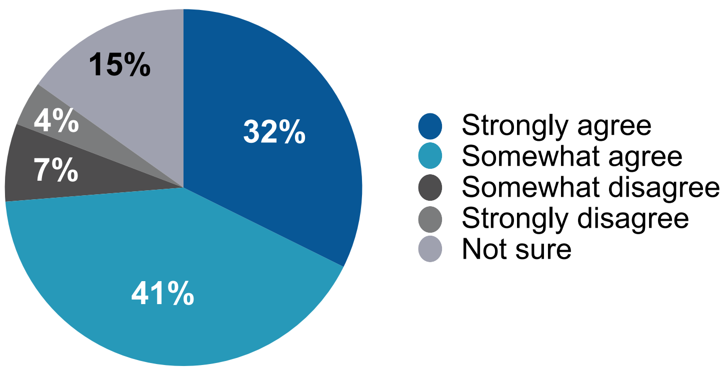
[11] See for example: USA Today, June 17, 2020. George Floyd protests lead to reckoning as Black employees speak out on racism and discrimination in the workplace. Accessed on October 9, 2020.

remove (i.e. sell or divest) the company from their portfolio, while 36% would prefer to keep the company in their portfolio but engage with them to encourage a change in their practices. Just 12% preferred to take no action, and 22% were not sure.

Women expressed the highest support for divestment at 36%, while 30% would prefer to keep the company in their portfolio but engage; 7% would take no action, and 27% weren't sure. For men, the preferences were reversed: 24% would prefer to divest while 42% would prefer to engage, with 17% taking no action, and 16% not sure.

By age group, 82% of those aged 18-34 would want their manager to take some action, with 37% in favour of divestment, and 45% in favour of engagement. Among the older cohort, 53% of those 55+ would take some action, with 21% in favour of divestment and 32% preferring engagement.

Do you agree or disagree with this statement? - "I would like a portion of my investment portfolio to be invested in organizations that are providing opportunities for the advancement of women and diverse groups."



A large majority of respondents are interested in exploring investment strategies that encourage corporate diversity and inclusion of under-represented groups in leadership positions.

Overall, 73% of respondents somewhat or strongly agreed they would like a portion of their portfolio to be invested in organizations providing opportunities for the advancement of women and diverse groups, with 32% in strong agreement, as noted in the chart above.

Again, women were somewhat more in agreement than men: 76% of female respondents somewhat or strongly agreed compared with 71% of male respondents. By age group, 84% of the 18-34 group agreed, compared with 77% of those 35-54 and 60% of those 55+. Higher education was also a factor, as 77% of university graduates expressed agreement, compared with 69% of those with a high school diploma. Household composition had an influence, as 81% of respondents with kids were in agreement, compared 71% of those without kids.

These survey results suggest that the majority of investors are interested in using their investments to generate improved opportunities for women and diverse groups.

Conclusion

Amid a tumultuous global health crisis, economic uncertainty, and social unrest, interest in RI among Canadian investors is holding steady and is on the rise among younger investors. While almost half of all respondents indicated they are more likely to invest responsibly this year than one year ago, among younger investors this likelihood is even higher.

Given the large gap that remains between individual investors' interest and their reported knowledge in RI, investment professionals have a clear opportunity to inform their clients about RI and offer investment options that align with their values. While advisors appear to have increased their engagement with younger investors on RI, it should be noted that high interest in RI extends across all age groups.

Canadian investors are deeply concerned about how inequality and racial injustice manifests within their portfolios. They're interested in hearing from their fund managers about opportunities to take action and encourage positive change within the companies in which they invest. The survey responses also indicate that there may be an appetite among Canadian retail investors for accessing impact investment products that are directed at providing opportunities for women, Black, Indigenous and racialized people.

To tap into individual investor interest, Canadian companies can be transparent about their efforts to improve diversity and inclusion at the board level and among leadership ranks, while financial advisors can equip themselves with the knowledge to guide their clients towards such companies. These actions would provide clear benefits to both individual investors, and to society at large.