



Responsible Investment Association

# CANADIAN INVESTOR STATEMENT ON DIVERSITY & INCLUSION

Second Year Status Report

November 2023

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# Introduction

In 2020 the Responsible Investment Association, with contributions from members and other key participants, released the Canadian Investor Statement on Diversity and Inclusion. Signatories to the Statement, as institutional investors, commit to addressing the persistent inequities in Canadian business and society by taking intentional steps to promote diversity and inclusion (D&I)<sup>1</sup> across their investment portfolios and within their organizations.

The Second Year Status Report is the outcome of the second annual signatory survey that collected data on diversity and inclusion efforts made by signatories over the prior year and documents the roundtable discussions that took place on October 14, 2022. The report contains three sections, beginning with the Canadian Investor Statement on Diversity and Inclusion. The second section reveals the survey results and summarizes the roundtable discussions, which included breakout sessions covering proxy voting & engagement, investment process, disclosure & advocacy, and internal practices. The final section outlines key takeaways and actionable items from the survey results and signatory discussions.

Signatories to the Statement are encouraged to participate in the survey and roundtable discussions on an annual basis, although participation is voluntary. With year-over-year data now available, this report will help evaluate progress on signatories' diversity and inclusion efforts. Annual status reports will continue to be prepared by the RIA to encourage accountability and to measure signatories' efforts toward achieving more diverse, equitable and inclusive workplaces and integrating D&I elements into their investment processes.

The complete Statement is available online on the RIA's website and the following page of this report. Institutional investors can become a signatory by completing the form on the RIA's website. The initiative is currently supported by 53 institutional investors and 19 Supporting Organizations, representing over \$5 trillion in assets under management (AUM) as of December 31, 2022.

## About the Responsible Investment Association

The Responsible Investment Association (RIA) is Canada's industry association dedicated to responsible investment (RI). The RIA aims to drive the growth and development of RI in Canada, with a vision to align capital with sustainable and inclusive development as codified in the Paris Agreement and the United Nations Sustainable Development Goals. 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. Our institutional members collectively manage over \$40 trillion in assets. Learn more at [www.riacanada.ca](http://www.riacanada.ca).

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<sup>1</sup> Diversity and Inclusion (D&I) definitions tend to differ across regions and have different meanings to different individuals. There are variations of the acronym—for example, Diversity, Equity and Inclusion (DEI); Equity, Diversity, and Inclusion (EDI); Inclusion, Diversity, Equity and Accessibility (IDEA); Justice, Equity, Diversity, and Inclusion (JEDI)— where some organizations use the words in different orders for various reasons. For this report, we generally use the term D&I for the survey questions and charts consistently with its usage in the Statement, and we use the term DEI in the remaining sections.

# Section 1 - The Canadian Investor Statement on D&I

## Canadian Investor Statement on Diversity & Inclusion

We, the undersigned institutional investors, acknowledge the existence of systemic racism and its impacts on Black and Indigenous communities and People of Colour in Canada and globally.

We furthermore acknowledge the existence of inequities and discrimination with respect to factors including, but not limited to gender, sexual orientation, age, disability, religion, culture and socio-economic status.

We all have a responsibility to ensure that the persistent inequities in business and our society are eliminated. As institutional investors, we can contribute to addressing these inequities in Canada by taking intentional steps to promote diversity and inclusion across our portfolios and within our organizations.

Promoting diversity and inclusion is not only the right thing to do; it is good for business and our society. A growing body of research shows that higher levels of diversity and inclusion are associated with improved corporate financial performance, driving growth, and strengthening employee engagement.<sup>1,2,3</sup> Incorporating diversity and inclusion into business decisions can create opportunities for underrepresented groups while simultaneously contributing to leadership development, improved reputation, and a stronger governance and risk profile.

As such, the undersigned investors encourage Canadian public companies to lead in global efforts to address systemic inequities by advancing diversity and inclusion efforts and enhancing transparency and accountability. We furthermore challenge our own institutions to advance diversity and inclusion of underrepresented individuals within our organizations.

Our expectations of Canadian companies are that they endeavour to:

**Enhance annual public disclosures of diversity data**, with specific application to the representation of self-identified Black, Indigenous and People of Colour on boards, executive teams and across the wider organization;

**Adopt policies, targets and timelines** to improve diversity on boards and in senior management, specifically regarding the representation of underrepresented groups, with the ultimate aim of being aligned with the racial and ethnic demography of Canada;

**Expand and disclose organizational efforts to address barriers to diversity and inclusion** by adopting recruitment practices that consider a more diverse pool of candidates, and by actively seeking out underrepresented voices to inform diversity and inclusion activities and address challenges.

As investors, we will endeavour to:

**Engage with Canadian investee companies to convey our expectations** of improved disclosure and performance on diversity and inclusion practices, including the advancement of underrepresented groups on boards, executive teams, and across the wider organization;

**Integrate diversity and inclusion into our investment processes**, beginning with tracking and monitoring the diversity and inclusion performance of Canadian public companies, reviewing and updating our proxy voting guidelines and stewardship priorities as needed, and engaging with external managers regarding their strategies to promote diversity and inclusion;

**Improve diversity and inclusion practices within our own organizations.** We will collect and monitor diversity and inclusion data so that “what gets measured gets managed” to more effectively address barriers to inclusion and advancement of underrepresented groups. We will provide training and education so that we can foster respectful and inclusive organizational cultures, and we will seek out underrepresented voices to inform our diversity and inclusion activities and address challenges.

We will report on our efforts to promote diversity and inclusion, and we commit to reviewing and updating our approach as we learn from our experience.

We invite other investors to join us and share experiences and best practices to enhance our purposeful and collective efforts to bring about a more inclusive and anti-racist business and investment landscape in Canada.

[1] [McKinsey: Delivering Through Diversity \(2018\)](#)

[2] [CIPI: Diversity Dividend Canada's Global Advantage \(2017\)](#)

[3] [Catalyst: Why Diversity and Inclusion Matter: Quick Take \(2020\)](#)



# Signatories

## Institutional Investor Signatories

ACM Advisors Ltd.	Global Alpha Capital Management	Pacifica Partners Capital Management Inc.
Addenda Capital	Holt Accelerator	PCJ Investment Counsel
AGF Investments	Honeytree Investment Management	Pension Plan of The United Church of Canada
Alberta Investment Management Corporation (AIMCo)	HSBC GAM	Rally Assets Inc.
Beutel, Goodman & Company Ltd. Bâtirente	IG Wealth Management	RBC Global Asset Management Inc.
BMO Global Asset Management	Investment Management Corporation of Ontario (IMCO)	Rhiza Capital
British Columbia Investment Management Corporation (BCI)	Inspirit Foundation	Scheer, Rowlett & Associates Investment Management Ltd.
Caisse de dépôt et placement du Québec (CDPQ)	Jarislowsky Fraser Global Investment Management	SEI Investments
Canada Post Corporation Pension Plan	Laidlaw Foundation	Simon Fraser University
Capital Canada Limited	Le Régime de retraite d'Hydro-Québec	Simon Fraser University Pension Plan for Members of the Academic Staff
Central 1 Credit Union	Mackenzie Investments	TD Asset Management
Checkmate Capital Group LLC	Marigold Capital	The United Church of Canada
CIBC Asset Management	MD Financial Management Inc.	University of Toronto Asset Management (UTAM)
Connor, Clark & Lunn Investment Management	Montrusco Bolton Investments Inc.	Vancity Investment Management
Deetken Impact	National Bank Investments	Vancouver Foundation
Desjardins Group	NEI Investments	
ELFEC	North Growth Management Ltd.	
Gestion FÉRIQUE	Northern Trust Asset Management - Canada	
	Ontario Pension Board	
	OPSEU Pension Trust (OPTrust)	

## Supporting Organizations

AGF Management Limited	LeRoy Wealth Management Group	SHARE (Shareholder Association for Research & Education)
Æquo, Shareholder Engagement Services	Libro Credit Union	Société des Soeurs Auxiliatrices
Brian A Price and Associates / Realty and Investments, Windsor	MICA services financiers	Stephen Whipp Financial
Canadian ETF Association	Millani	Trinity Centres Foundation
Demeter Advisors Inc.	NEO Exchange	Valeurs mobilières PEAK inc.
Edgewater Financial Products Impact Wealth	RE Royalties Ltd.	
	RRSE (Regroupement pour la Responsabilité Sociale des Entreprises)	

## Section 2 - Status Report: 2022 Survey and Signatory Roundtable

### D&I Survey

The RIA surveyed Statement signatories to gather information on each responding firm's approach to addressing D&I in their internal practices and their investment processes. Responses were collected, analyzed and anonymized to assess the overall status and progress of the participating signatories' D&I efforts, consistent with their commitments under the Statement. The following section highlights key findings from the latest survey, conducted between December 21, 2022 and January 31, 2023.<sup>2</sup> While all signatories were invited to participate, 39 signatories responded to the survey, including:

- Asset Managers - 24
- Asset Owners - 13
- Service Providers - 2

In comparison, the previous year's survey had 40 respondents, of which there were 23 Asset Managers, 10 Asset Owners, 4 Not-for-profits, 2 Financial Institutions, and 1 Service Provider. The survey questions can be found in the [Appendix](#) of this report.

### Key Findings

#### D&I in Investments

- Overall, the most common D&I integration approaches remain the same as last year: proxy voting (79%) and engagement (74%).
- The most commonly used target this year for corporate board gender diversity was '30-49% women' with the majority (62%) of respondents citing this expectation, compared to 48% last year.
- Two-thirds (67%) of respondents have some target or expectation set for public companies regarding gender diversity at the board level, compared to just 19% having a target or expectation set for corporate diversity other than gender. Similar to our findings in 2021, the majority of expectations for public Canadian companies regarding corporate diversity are related to gender.
- Of the signatories that have set targets regarding board-level diversity other than gender diversity, the most common target is a minimum threshold for representation of Black, Indigenous Peoples and People of Colour ("BIPOC").

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<sup>2</sup> For the purpose of year over year comparisons, the report will consider this year's survey responses as 2022 data.

- 2022 vs. 2021 responses showed an overall increase in utilizing voting (voting against or withholding support for the board) to advance diversity on boards of public Canadian companies.
- Most respondents (95%) are somewhat satisfied, satisfied or very satisfied with their progress on D&I in their investments, compared to 87% in 2021.

## Internal D&I Practices

- There was a notable jump in the percentage of respondents using 'executive level diversity which aligns with expectations for investees' as an internal D&I practice this year (51%) versus 2021 (38%).
- Consistent with 2021, the most commonly used D&I practice among signatories is considering D&I in internal recruitment and retention practices, with 82% utilizing this practice.
- The majority of respondents (64%) disclose their internal D&I information, while 13% more said they plan to in the future.



# D&I Survey

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## D&I In Investments

1

How do you **currently** incorporate D&I within your **investment process**?

2

Regarding voting and engagement: Have you established expectations for **gender diversity** for the board of directors and/or executives of **Canadian public companies**?

3

Regarding voting and engagement: Have you established targets/minimum thresholds for **underrepresented groups other than gender** for the board and/or executives of **Canadian public companies**?

4

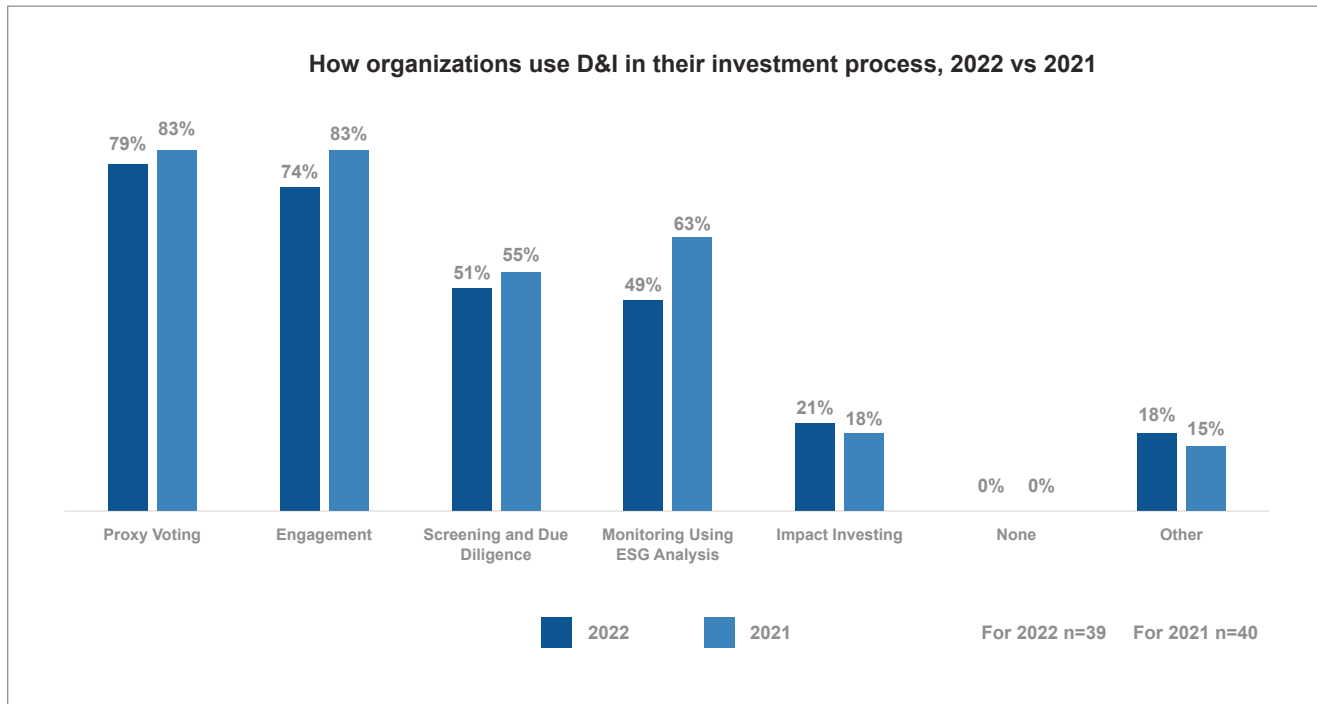
Generally speaking, in which situations would you vote **against** (or withhold support for) one or more board members of a **Canadian public company**?

5

For **asset owners**: Which D&I engagement topics do you engage asset managers and/or portfolio companies on?

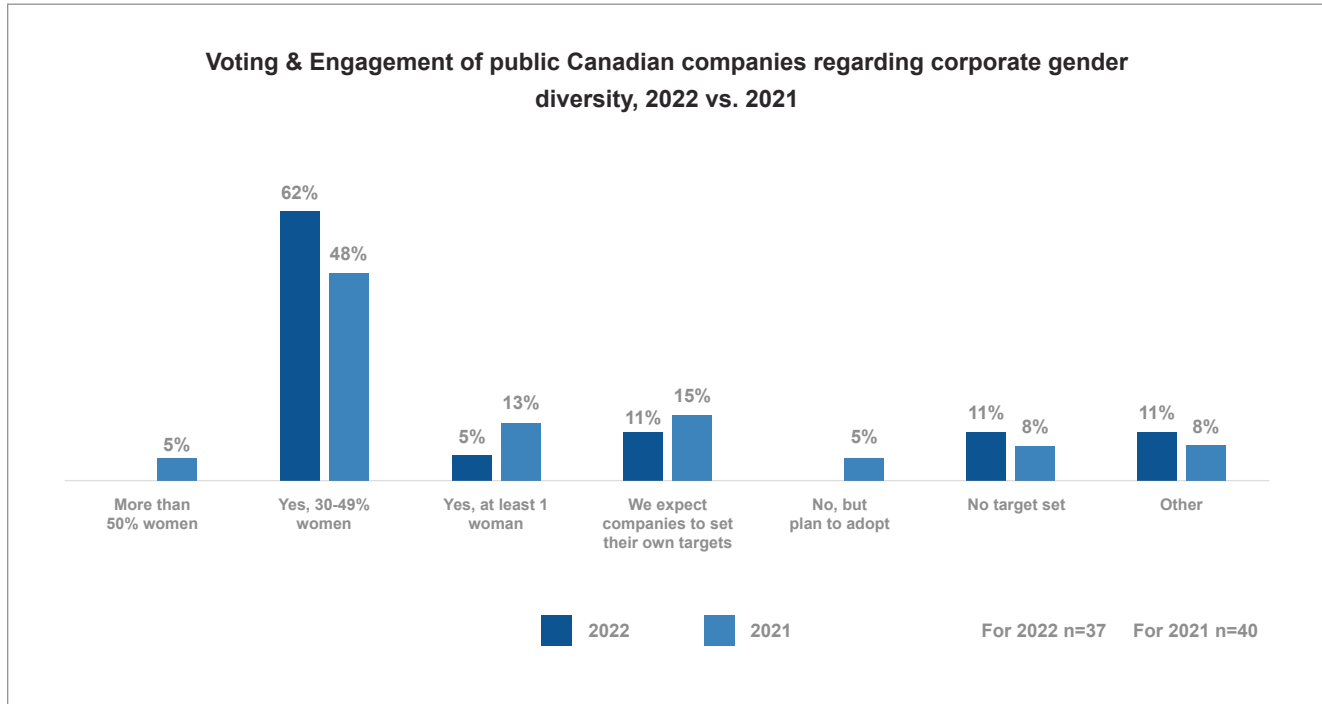
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On a scale of 1-5, to what extent are you satisfied with **progress** on D&I in your **investments**?



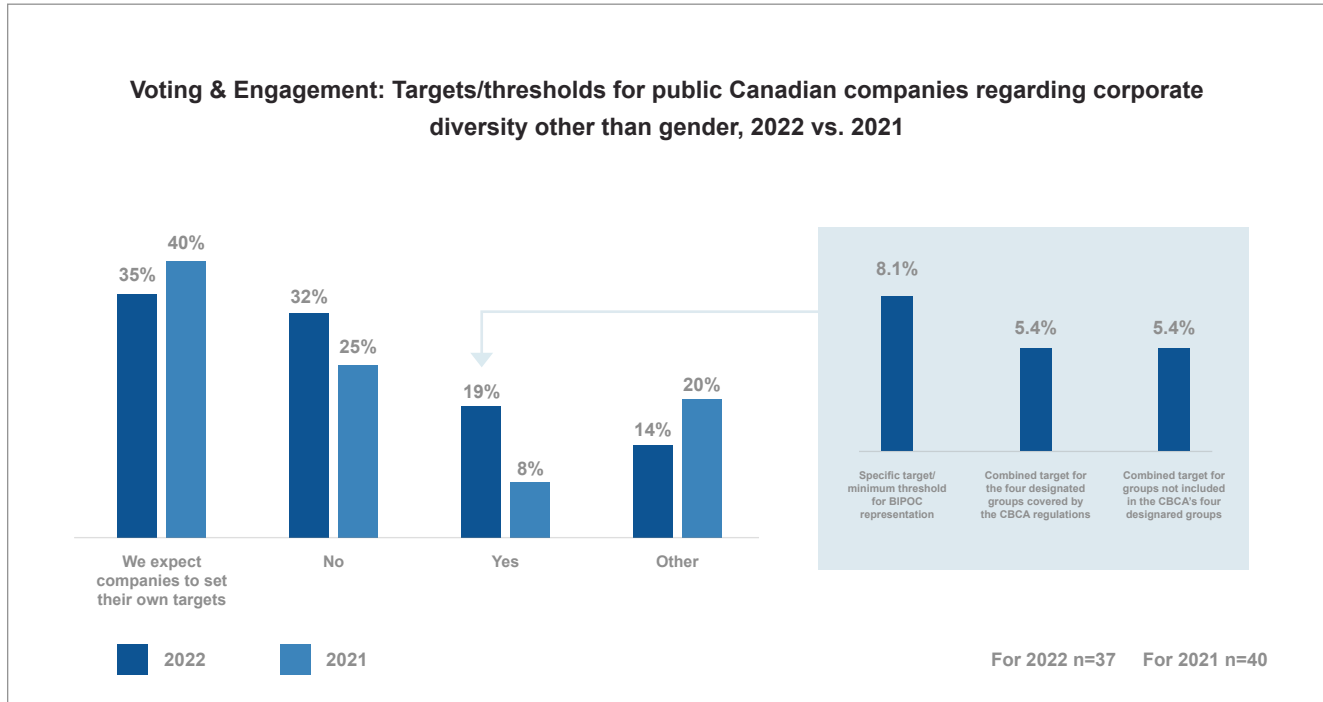
- All respondents were using at least one approach to incorporate D&I into their investment process.
- Overall, the most popular approaches to incorporate D&I in the investment process remain proxy voting (79%) and engagement (74%).
- Compared to 2021, we observed somewhat lower percentages of respondents incorporating D&I in the investment process across most approaches, except impact investing and 'Other'.
- Respondents in the 'Other' category cited using third-party ESG funds that employ D&I in their investment processes, partnering with other organizations to conduct D&I analysis, and developing internal toolkits.
- Respondents could select more than one response for this question.

## Regarding voting and engagement: Have you established expectations for gender diversity for the board of directors and/or executives of Canadian public companies?



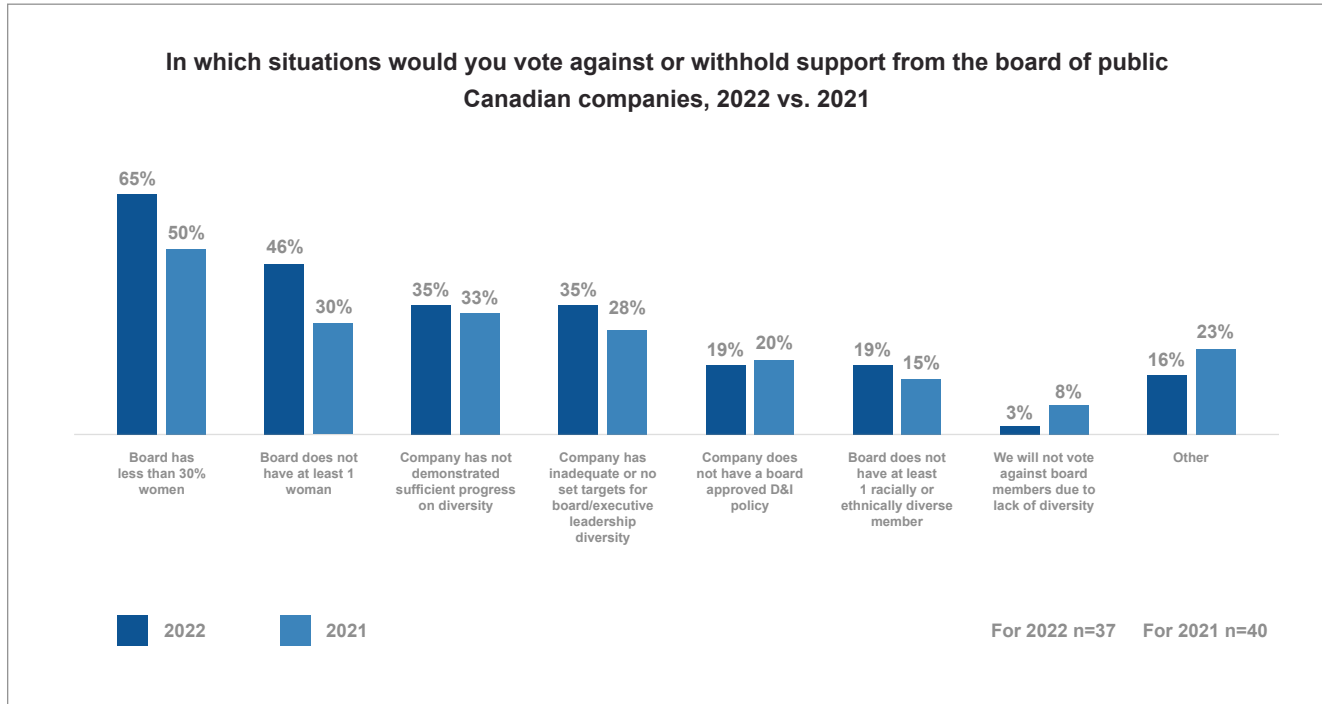
- Two-thirds (67%) of respondents have specific targets for gender diversity, similar to the level reported in 2021 (66%).
- The most commonly reported target this year was '30-49% women' with the majority (62%) of respondents citing this expectation, up from 48% of respondents in 2021.
- No targets have been set by 11% of respondents, while another 11% said they expect companies to set their own targets.
- Of the respondents who cited 'Other', responses included using funds that are managed by third parties who are responsible for establishing expectations.
- Respondents could only select one response to this question.

Regarding voting and engagement: Have you established targets/minimum thresholds for underrepresented groups other than gender for the board and/or executives of Canadian public companies?



- The majority of respondents have not set targets/minimum thresholds for underrepresented groups other than gender. Most commonly, respondents expect companies to set their own targets.
- The percentage of respondents with targets for corporate diversity other than gender rose to 19% in this year's survey compared to 8% in 2021.
- Of the signatories that do have targets set regarding diversity other than gender diversity, the most common target is a minimum threshold for BIPOC representation.
- Of the respondents who responded in the 'other' category, the most common response was that their funds are managed by third parties.
- Respondents could only select one answer to this question.

Generally speaking, in which situations would you vote against (or withhold support for) one or more board members of a Canadian public company?

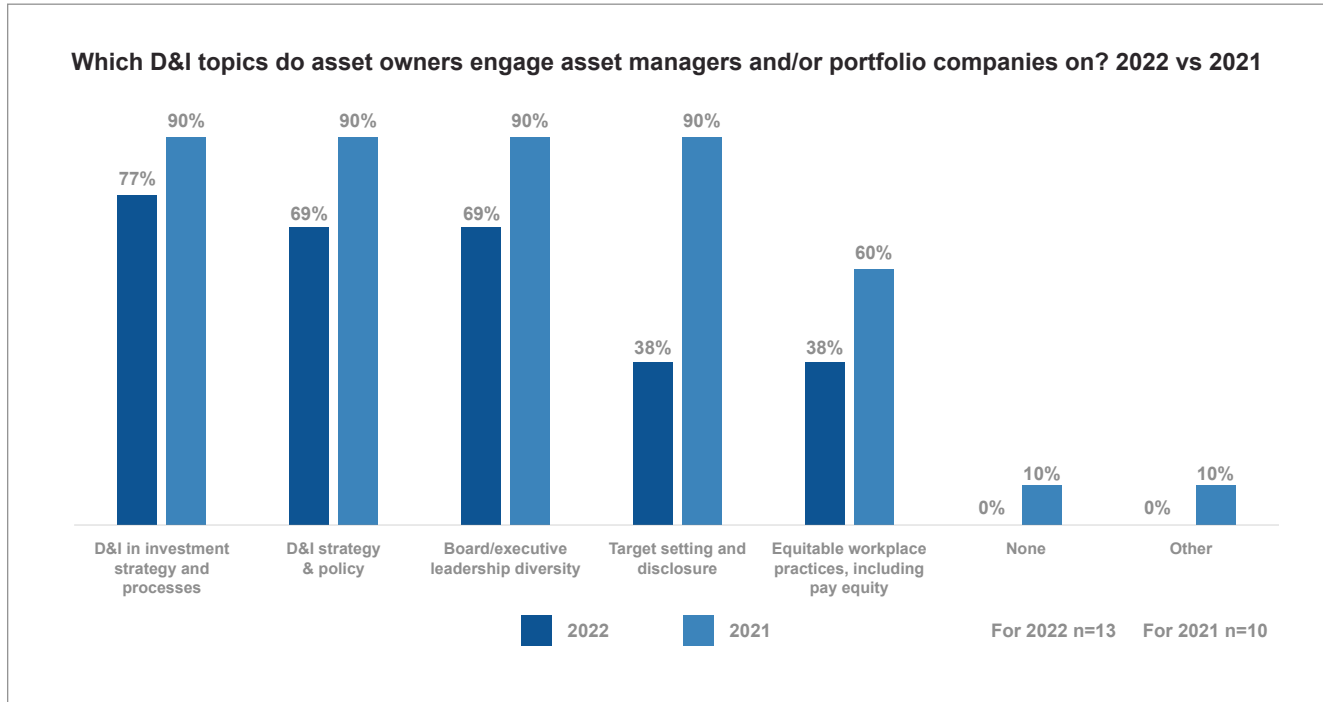


- The most common situation for withholding support is if the board has less than 30% women (65% of respondents cited this).
- Other common circumstances for voting against/withholding support are: if the board does not have at least 1 woman (46%), if the company has not shown sufficient progress over time (35%), and if the company has not set targets/targets are inadequate (35%).
- Comparing 2022 to 2021 responses, we observe an overall increase in voting against or withholding support from the board in order to advance diversity on boards of public Canadian companies.
- Of the respondents that cited 'Other', the most common reason was investment in existing funds whereby the responsibility is delegated to the third-party managers.
- Respondents could select more than one response to this question.

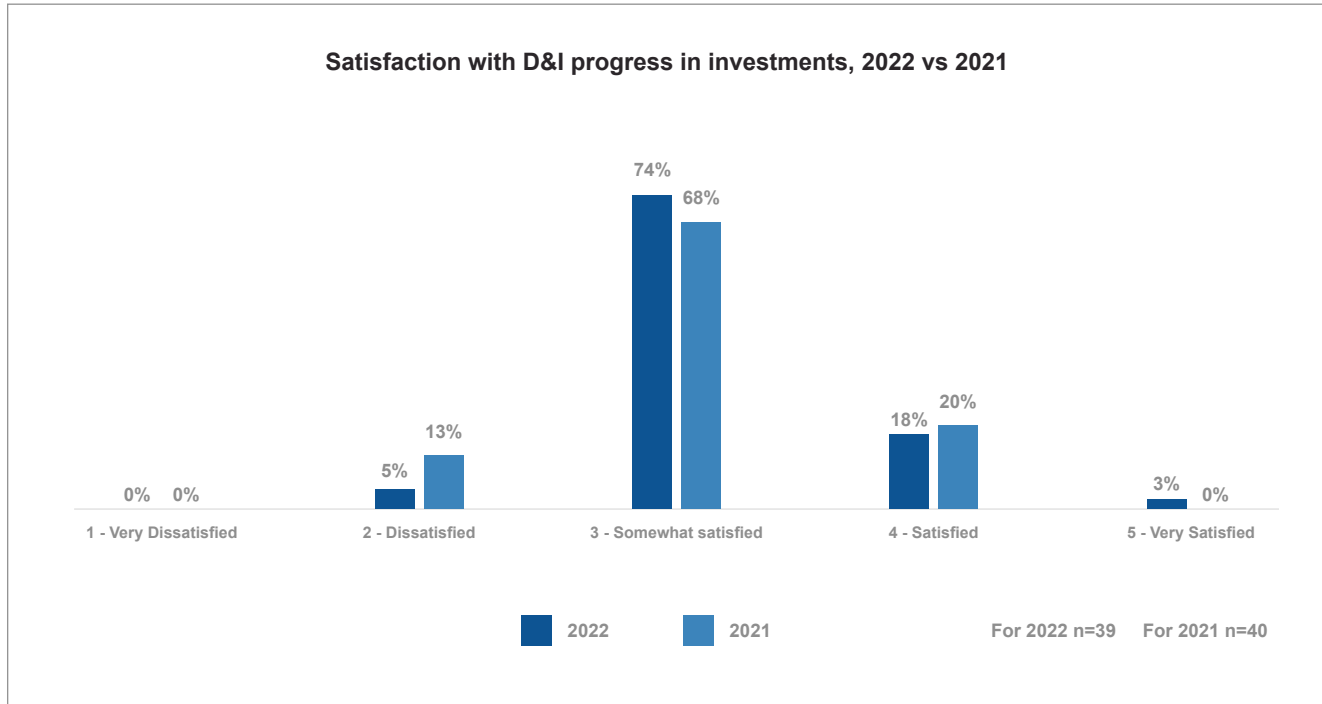
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## D&I in Investments

For asset owners: Which D&I engagement topics do you engage asset managers and/or portfolio companies on?



- The majority of asset owners engage their external managers and/or portfolio companies on the following D&I topics; D&I in investment strategy and processes (77%); D&I strategy & policy (69%) and Board/executive leadership diversity (69%).
- While we observe in 2022 lower percentages of asset owner respondents engaging across most topics, all asset owners engaged in at least one area versus 10% who did not engage at all in 2021.
- Respondents could select more than one answer to this question.



- The majority of respondents (74%) reported that they are somewhat satisfied with progress on D&I in investments, a slight increase from 2021.
- Almost all respondents (95%) are somewhat satisfied, satisfied or very satisfied with D&I progress in their investments, compared to 87% in 2021. This corresponds to a decrease in the percentage of signatories who are dissatisfied with their progress (5% vs. 13% in 2021).
- Respondents could only select one answer to this question.

# D&I Survey

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## Internal D&I Practices

7

Which D&I practices or attributes does your organization feature to align with D&I objectives **internally**?

8

For which **underrepresented groups** do you have/expect to set targets within **your organization**?

9

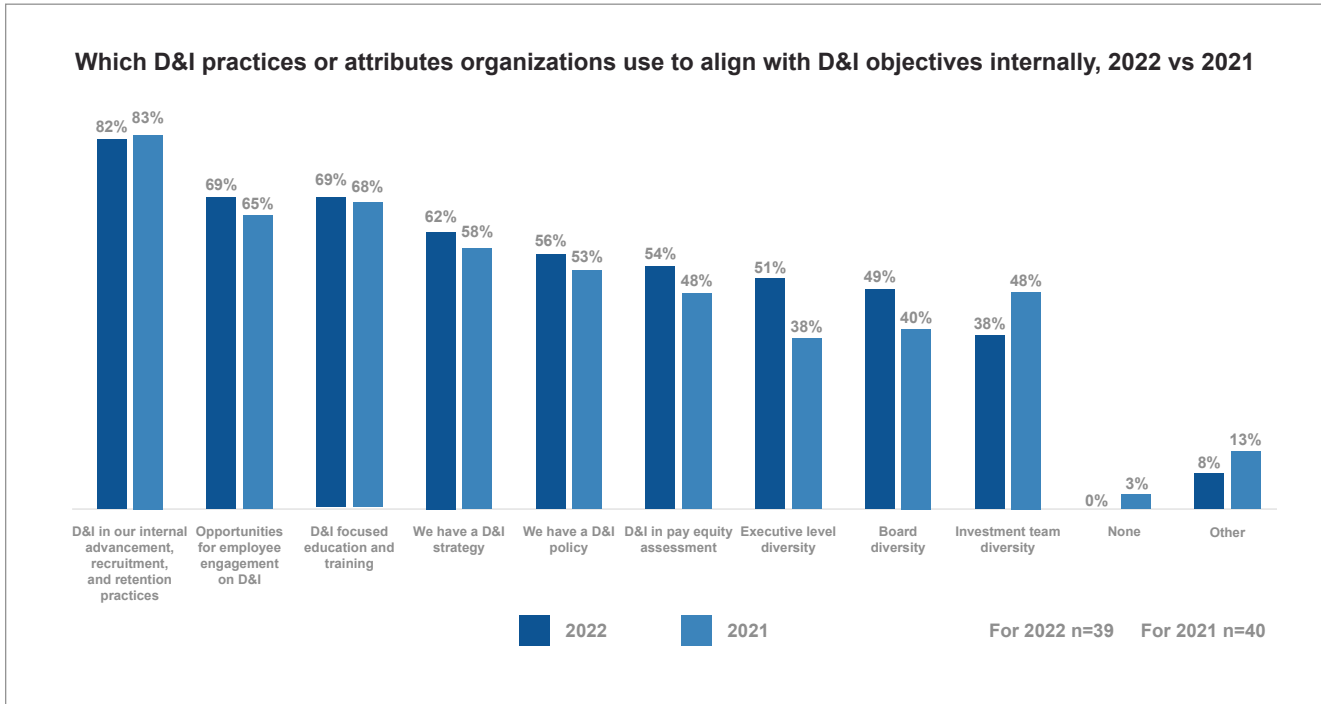
Does your organization have targets for **gender diversity** for the board of directors and/or executive leadership team within **your organization**?

10

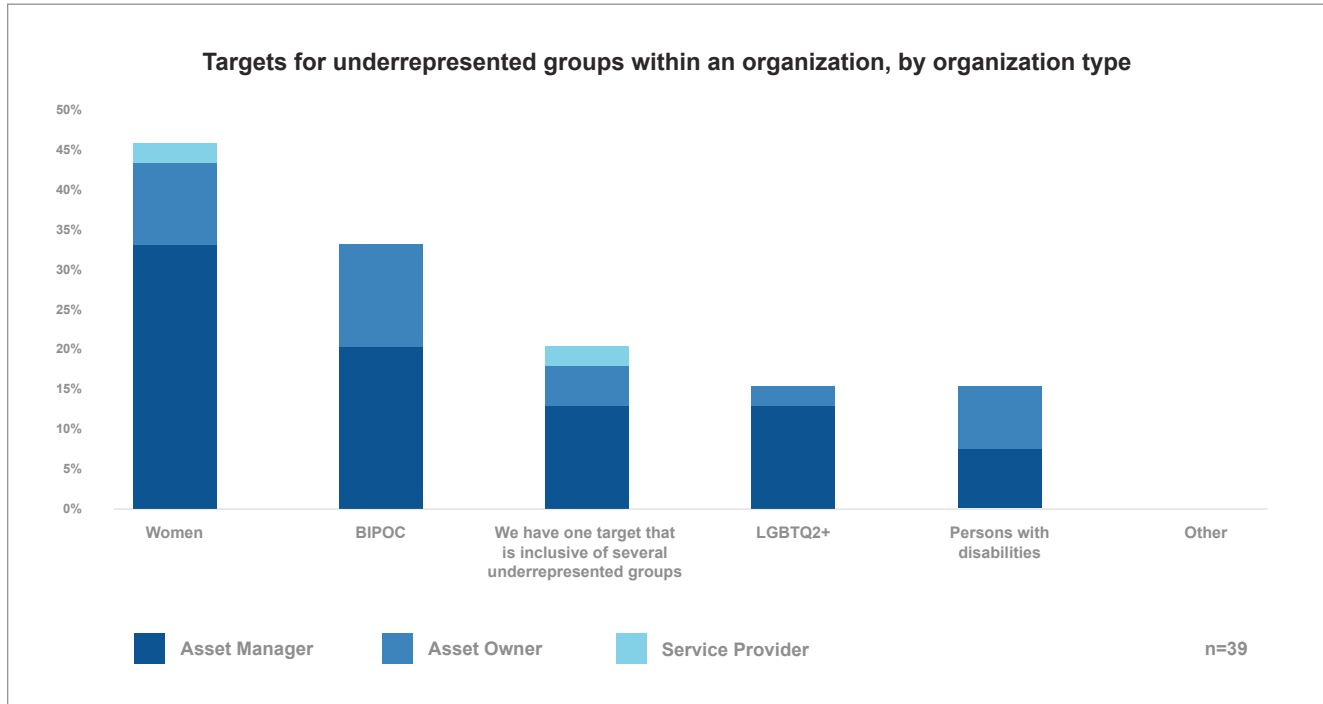
Does your organization disclose their internal DEI information?

11

On a scale of 1-5, to what extent are you satisfied with **progress** on D&I within your own **organization**?

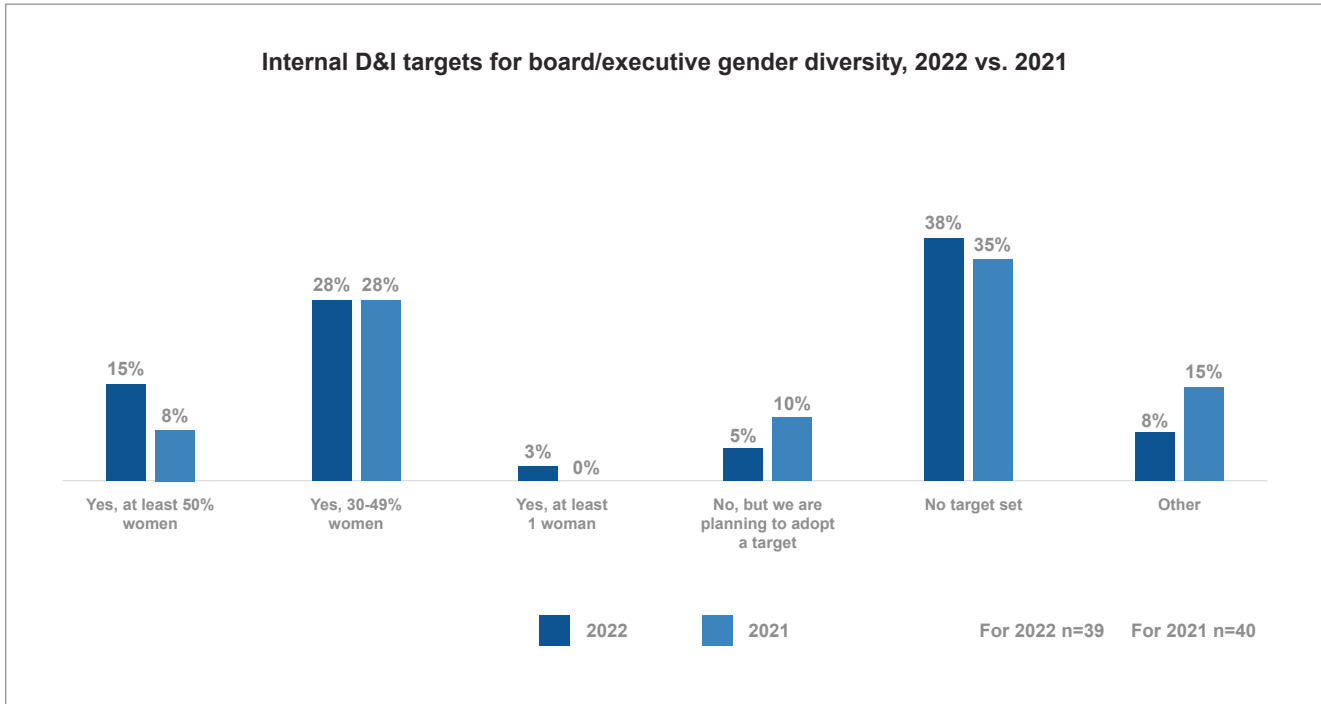


- We observe an increase in the percentages of respondents using most practices, compared to 2021, except for investment team diversity (which dropped to 38% of respondents this year compared to 48% in 2021). Consideration of D&I in internal advancement, recruitment, and retention was the most-cited practice, consistent with last year.
- The largest increase in practices used this year versus 2021 was in executive-level diversity which aligns with expectations for investees, at 51% and 38% respectively.
- Respondents could select more than one answer to this question.

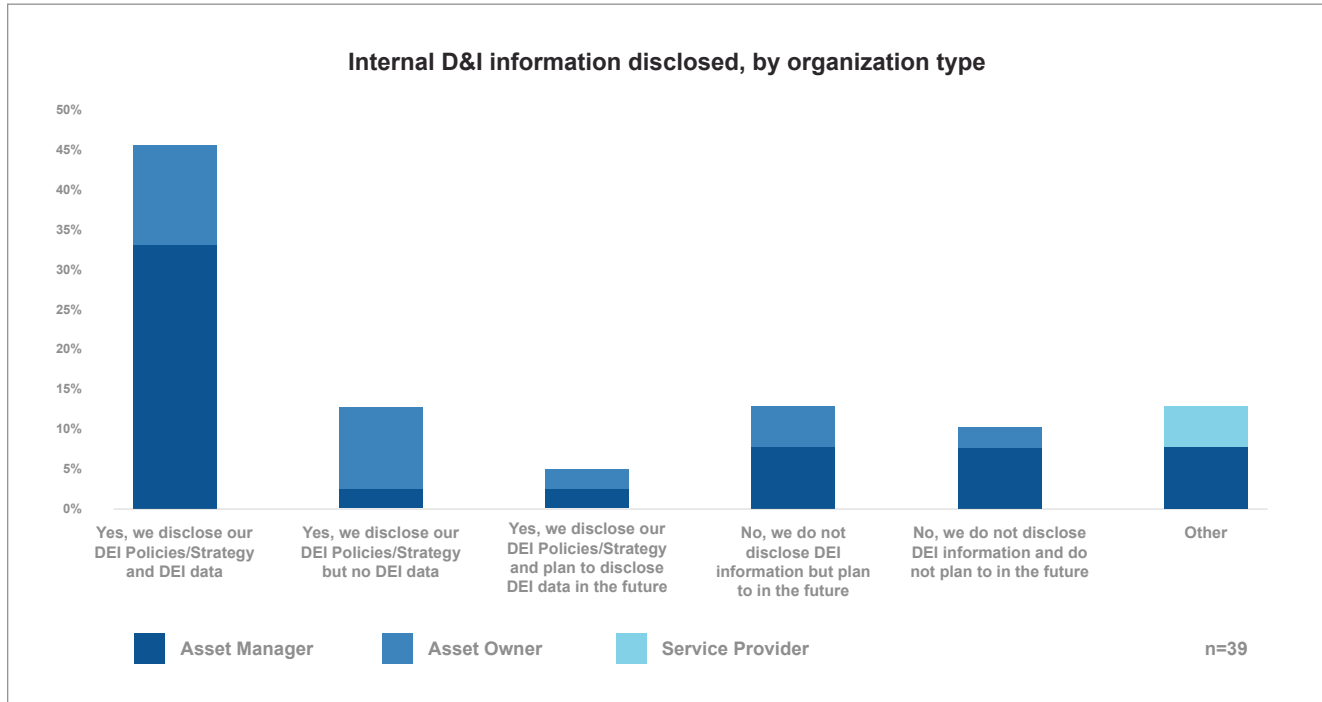


- Overall, targets for women and BIPOC were the most prevalent (46% and 33% of respondents, respectively).
- Respondents could select more than one answer to this question.

## Does your organization have targets for gender diversity for the board of directors and/or executive leadership team within your organization?

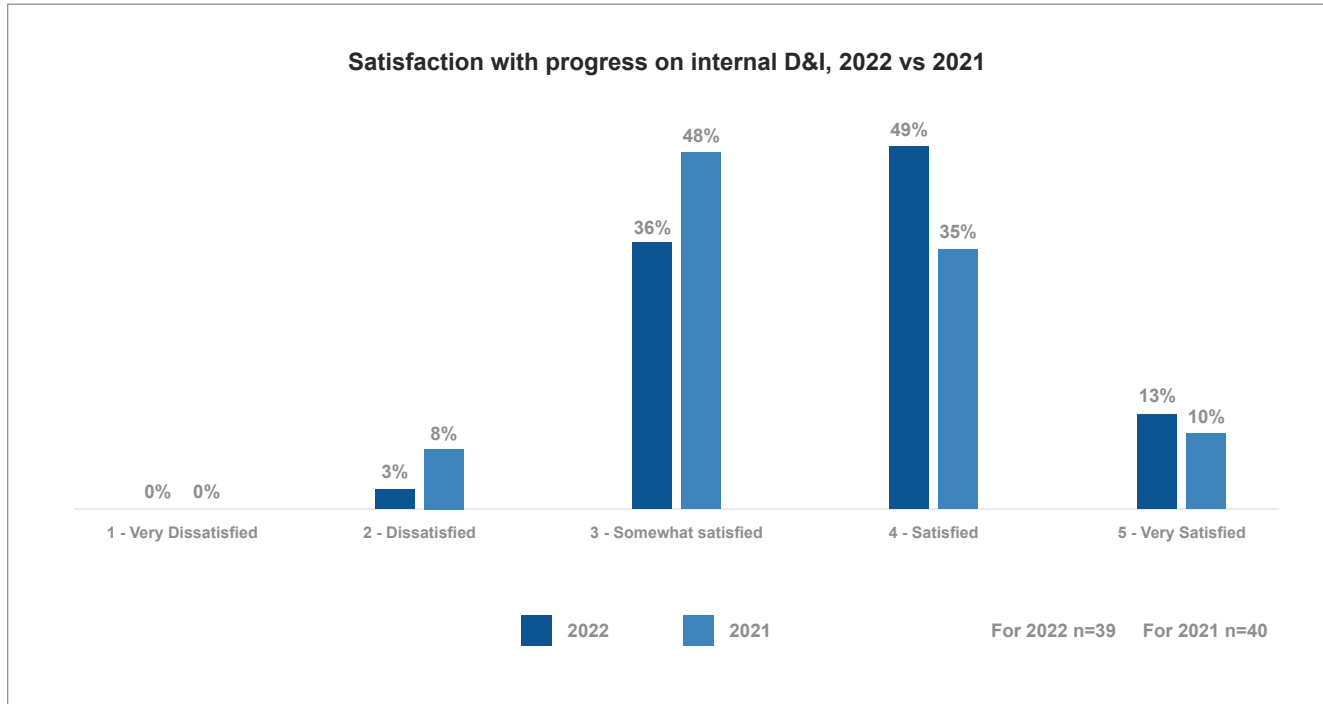


- In 2022 we observe a higher proportion of respondents with diversity targets set for the organization's board/executive team for 'at least 50% women'.
- A slight increase in "no target set" was also observed. A couple of respondents noted that while their board and executive team consisted of at least 30% women, they did not have a set target stipulating the percentage of gender diversity required.
- Respondents could only select one response to this question.



- This was a new survey question in 2022.
- The majority of respondents (64%) disclose their internal D&I information, while 13% more say they plan to in the future.
- A cited reason in the 'Other' category was that the information is available upon request, or is only available internally.
- Respondents could only select one answer to this question.

On a scale of 1-5, to what extent are you satisfied with progress on D&I within your own organization?



- The overwhelming majority of respondents (97%) are somewhat satisfied, satisfied, or very satisfied with their internal D&I progress.
- Only 3% responded being dissatisfied this year, compared to 8% in 2021.
- Asset managers had a higher percentage of respondents being satisfied, compared to asset owners who had an even mix between satisfied and somewhat satisfied.
- Respondents could only answer once to this question.

## Signatory Roundtable - Summary of Discussions

The 2022 Roundtable was held on October 14, with 32 attendees from signatory organizations. The objectives of the 2022 Roundtable were to review the first year status report from the 2021 roundtable and survey, discuss signatories' progress relative to 2021's results, have conversations on best practices, and discuss successes and challenges. The group also engaged in a discussion on Indigenous reconciliation and what that means in the context of DEI advancement, disclosure and reporting. Signatories also participated in four breakout sessions covering the investment process, disclosure, proxy voting & engagement, and internal practices related to DEI. The breakout sessions were guided by the following 3 questions: *What is everyone doing? What has and hasn't been working well? What support is needed?*

### Indigenous Reconciliation

Recognition has grown regarding the importance of incorporating Indigenous reconciliation into DEI practices, especially in the Canadian context. Signatories discussed how their organizations are incorporating Indigenous reconciliation into DEI policies and practices and examined potential areas for collaboration. How are investors holding investee companies accountable for reconciliation initiatives (i.e., through KPIs or expectations based on specific sector/industry exposure)? Is stakeholder engagement and proxy voting enough? What more can be done? Some participants reported having engagements with investee companies about Indigenous reconciliation in conjunction with climate issues and a just transition.

Beyond external engagements and expectations, organizations have work to do on Indigenous reconciliation internally. Online training sessions on Indigenous history and reconciliation as well as mentorship programs were two activities that some participants' organizations had implemented.

While conversations about Indigenous reconciliation are underway, there remain many areas of opportunity to incorporate it into DEI initiatives. Signatories discussed the idea of organizing a separate working group to focus on Indigenous issues.

### Public Disclosure and Moving Towards Standardized Reporting

Standardization remains key to ensuring accountability, transparency, and consistency when discussing improvements to and measuring the industry's DEI practices. Participants discussed how to approach the annual signatory survey participation individually and as a group, and if there was a way to improve accountability of responses.

Some participants expressed that data collection can be challenging, due to hesitancy from their staff to self-report on gender, ethnicity and sexual orientation. Despite good intentions to collect and report this data, not all staff were comfortable with self-disclosing, which resulted in low survey participation rates.

A participant from a smaller firm expressed that DEI had been embraced at their firm as the team works closely together, and the general sentiment is that if they expect their investments to support social impact, they should be mirroring their own expectations of the industry.

With corporate DEI disclosures still at their early stages and a general lack of trust around self-disclosure, management needs to focus on creating a corporate culture that embraces and fosters a sense of belonging

for staff. Trust needs to be gained before getting staff on board, and DEI strategies take time to build. To accomplish this, companies should be clear on why they are collecting the data, and be cognizant of their staff size as smaller teams reduce the likelihood of anonymity. Having a third party facilitate the data collection may also help increase participation. Some asset managers are seeing more RFPs asking for diversity data from the firm.

Progress is being made on regulatory corporate disclosures and standardization for DEI reporting. Osler's [Diversity Disclosure Report](#) came out the day before the roundtable discussion and tracks corporate disclosures on diversity. The CBCA is also requiring diversity reporting and has expanded categories to include visible minorities, Indigenous people, and persons with disabilities.<sup>3</sup>

## Quantitative Measures to Measure Equity and Inclusion

Measuring diversity is fairly easy, but what about equity and inclusion? A couple of areas to look at include retention and promotion rates year over year, and patterns on who is leaving. Some investee companies are doing civil rights audits. It will be interesting to observe what comes out of these audits. Disclosure on such audits is becoming increasingly requested by shareholders, especially for American companies, over the last couple of years. Employee satisfaction surveys are another source of inclusion information that can be measured year over year.

## Breakout Sessions

### Proxy Voting and Engagement

The Proxy Voting and Engagement breakout participants shared how they use these tools to close the gap for underrepresented groups at the management and executive level. One asset manager with several underlying boutiques has written a set of guidelines that applies to all the underlying groups to form a collective view on issues such as gender and racial diversity at the board and employee levels. Some asset managers/owners are using due diligence questionnaires to ensure external managers have policies, processes, and targets in place. They also work directly with asset managers on proxy voting guidance, vote against the Chair of the nomination committee when diversity is lacking, and typically look for at least 30% gender diversity for the board or a credible plan to achieve that target, including a written gender diversity policy. Some asset managers are aligning with Canadian Coalition for Good Governance (CCGG) [guidelines](#). Examples of such guidelines include that no gender should represent less than 40%, or more than 60%. Asset owners engage with external managers on how they are improving DEI internally, for example within their investment teams and committees, and how they then engage with portfolio companies.

Another interesting approach that a participant reported was to rank companies into tiers (1 is high, 4 is low), and to engage with companies accordingly. For example, the investor would engage with a tier 2 company to encourage DEI improvements, but would more likely rely on proxy voting for higher ranking companies. To move from tier 3 to 2, a company would have to implement a board diversity target or already be above 30%.

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<sup>3</sup> "Diversity of Boards of Directors and Senior Management of Federal Distributing Corporations- 2022 Annual Report." Innovation, Science and Economic Development Canada, Corporations Canada, 2023.

While racial diversity seems to generate less attention than gender diversity when it comes to proxy voting and engagement, some participants have introduced expectations for a policy or commitment to introduce racial diversity on the board.

Participants noted a few challenges and observations related to proxy voting and engagement. For example, data beyond gender continues to be a challenge so it is difficult to set thresholds for proxy voting guidelines for issues beyond gender. It was also noted that data for management is harder to obtain than data for a board, so it is harder to enforce proxy voting guidelines for management. Lack of data remains the greatest challenge thus far.

Participants observed that many of the companies that fall below the 30% threshold for gender on the board are in Asia, emerging markets, or small market-capitalization areas where local market conditions and cultures may be different, so it is important to take that into account. How do we go beyond gender in such areas (e.g., Japan)? And how can we set expectations for different cultures to have racial diversity policies? Some thought should be given to modifications to expectations in such areas so that we don't have just one general, blanket guideline.

Participants also noted that board renewal rates affect how quickly a board can improve gender and racial diversity, so this needs to be accounted for when setting guidelines. Participants also discussed the importance that investee companies use a top-down approach to ensure they have a proper diversity reflected in their organization rather than simply slotting employees in because they fulfill a certain demographic requirement.

## **Disclosure and Advocacy**

Disclosure requirements are key to ensuring accountability and transparency, as well as useful as a benchmark by which to measure an organization's progress. It is challenging to monitor DEI progress when the metrics by which we measure progress fluctuate, and are not standardized.

Global disclosure standards can be challenging when different regions have different market and cultural norms. It is difficult to set expectations for various cultures related to racial and gender diversity policies. There are global and regional differences on what is disclosed and how DEI data is categorized. However, standardized equity and inclusion metrics should be effective globally.

Companies face challenges in collecting employee DEI data due to employee discomfort in disclosing such information, as trust takes time to build. There is also the concern of anonymity, especially in smaller teams. DEI reporting needs to be approached by creating a culture of transparency and non-judgement such that employees feel comfortable sharing. This can be achieved by fostering good corporate culture and communication, or by involving a third party to collect data. Some participants also noted that there are some RFP questions that they are simply unable to answer, such as the sexual orientation of their employees. There also needs to be buy-in from the top-down and bottom-up of an organization, as participants noted that sometimes it is in the middle where DEI momentum loses traction. Participants agreed that good practice is for an organization to disclose the same information that they ask from an investee company.

Regulations should help bring about more consistent and comparable disclosures. For example, as mentioned earlier in the report, the CBCA's disclosure requirements include 4 distinct groups: women, Indigenous peoples, persons with disabilities, and members of visible minorities.

## Investment Process

All participants are incorporating DEI into their investment process either directly, or via third party managers/funds. Asset owners can incorporate DEI into due diligence questionnaires for external managers in order to set up a screening process when selecting and evaluating a manager. This can help identify external managers where their DEI progress is not satisfactory. One participant's firm has developed their own DEI toolkit and discussion guide for monitoring managers, which also asks them to provide reasons if they have not made DEI progress. Engagement and voting are also considered DEI tools in the investment process, when evaluating a manager.

Participants noted that investment decisions as related to DEI can be binary; you either invest in a company, or you do not invest, based on a DEI reason. For example, a portfolio manager may not invest in a company with a toxic culture or sexual harassment issues due to litigation or reputational risks. The important question to ask when making an investment decision is what is acceptable and what is not acceptable in the eyes of the investor. The investment decision is binary, but the rationale and boundary between making a decision is often qualitative rather than quantitative.

Participants discussed data and information used in the investment process. When looking for DEI issues that need addressing, one can look at a company's turnover rate by diversity and look for trends that may highlight DEI discrimination issues. It should also be noted that DEI issues can vary by sector, so each sector should be approached differently. When looking at data, it is important to take a step back and look for patterns. What is the data telling us? What does 'good' look like? Trends are far more important than one data point. Participants distinguished an order by which data should be used: sector, turnover rates, diversity rates, compensation, pay gap, gender and racial composition at various levels, and changes relative to policies.

Participants agreed that accountability needs to be improved. Managers can hold companies accountable using the data tools outlined above, and by subsequently following up on gaps in data and lack of improvement in DEI initiatives relative to targets.

## Internal Practices

It is important for organizations to reflect their expectations for investee companies regarding DEI internally as well. When setting targets and guidelines for DEI in investments, the organizations should start by building out their own capacity. Part of a comprehensive DEI strategy and practical application includes DEI progress internally.

When discussing internal DEI practices, a couple of participants stated having DEI task forces that have developed ideas and executed on initiatives to help create a more inclusive culture. Some participants have gone through HR policy audits to take out specific gender references and to ensure policies are inclusive around accessibility. Organizations also found that training for staff and management on unconscious bias and anti-racism can be effective. Diversio is a recommended organization that offers several courses on DEI and they are very good with data and analytics. New Leader Institute is another recommended organization that takes a science-based approach to discussing bias and inclusion. For example, they explore how bias gets programmed in our neural pathways and the psychological impacts of feeling that result.

Oftentimes staff don't feel comfortable revealing their diversity information or self-reporting on DEI due to lack of anonymity, especially in smaller teams. As participants noted that good data is key to DEI advancements, efforts must be made to increase the responsiveness of staff. This can include improving corporate culture so that staff feel comfortable disclosing their information, working with a third-party consultant, and determining a threshold (ex. 8 people in a team) for which you won't disclose data if it's under a certain number of people. This issue must be addressed as it is instrumental in data collection, which remains one of the biggest barriers to DEI advancement.

Participants discussed best practices, ideas, and gaps going forward related to internal DEI practices. Notably, the ways in which people can report discrimination is very important to an organization's internal practice. Some organizations lay out the process for reporting in an employee handbook, while others have whistleblower/ethics hotlines. Other organizations are still working on new reporting mechanisms and outlining what should get reported. Fostering a culture where employees feel comfortable reporting discrimination, and ensuring that everyone is aware of the process to do so, should be first and foremost in an organization's DEI policy. Participants also highlighted that celebrating diverse holidays, as well as parental leave top-ups for men and favorable paternity leave policies can help contribute to inclusion, belonging, and equity. Many participants felt that asset owners and managers often ask external managers to provide DEI data and information on policies, but that they themselves could be more transparent about their internal initiatives.



## Section 3 - Key Takeaways

The second year signatory survey and roundtable revealed three key takeaways. Two takeaways are consistent with the first year report: inclusion only comes when there is trust and therefore it is difficult to measure, and gender targets and data are more prevalent than other forms of diversity metrics. We also note that data collection is one of the biggest challenges to DEI advancement.

### Inclusion is Difficult to Measure

Collecting and measuring diversity information is relatively straightforward, but what about inclusion? While diversity can be measured by counting people in various “boxes”, inclusion is much more qualitative. Once you hire a diverse group of individuals, how do you help them succeed, share their individuality and ensure they feel valued?

- Analyze retention and promotion rates year over year, and look for patterns on who is leaving.
- Civil rights audits are on the rise, especially in the USA. These audits may help determine if DEI programs are working as intended. Companies are being asked to disclose audit results by shareholders as DEI performance becomes more ingrained in the investment process.
- Employee satisfaction surveys are another source of inclusion information that can be measured year over year.

### Gender Targets Remain More Prevalent Than Other Forms of Diversity

In the 2022 signatory survey, 63% of respondents stated they have some target or expectation set for public companies regarding gender diversity at the board level, compared to only 19% having a target or expectation set for corporate diversity other than gender. This remains consistent with 2021 data: gender targets are more prevalent than targets for other forms of diversity.

- According to the Osler report on 2022 Diversity Disclosure Practices, more than one quarter of directors across all TSX-listed companies are female, and women now hold 26% of board seats compared to 10% in 2015. This is attributed to institutional investors’ pressure to increase gender diversity. CBCA corporations have just under 10% of board positions being held by directors who are members of visible minorities, Indigenous peoples or persons with a disability. This highlights the importance that investors start establishing targets and engaging their investee companies on diversity beyond gender.<sup>4</sup>

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<sup>4</sup> Andrew MacDougall, John M. Valley, Jennifer Jeffrey. [“2022 Diversity Disclosure Practices – Diversity and leadership at Canadian public companies.”](#) Osler, 2022.

- Standardizing DEI disclosures will enable companies to feel more confident with the data they are publicly disclosing. On April 13, 2023 the Canadian Securities Administrators (CSA) proposed amendments to corporate governance disclosure rules which would increase transparency about diversity beyond women, on boards and in executive officer positions; provide investors with decision-useful information on how diversity ties in with an issuer’s strategic decisions; and provide guidance to issuers on corporate governance practices related to board nominations, board renewal and diversity.<sup>5</sup> At the time of writing, the CSA was reviewing stakeholder comments on the proposed amendments.

## Data Collection Remains One of the Biggest Challenges to DEI Advancement

DEI data collection faces multi-dimensional challenges. At the granular level, collecting data relies on participation of employees. Some may be worried about privacy or the underlying motive of the company to collect such data. Multinational organizations may face additional challenges where national legislation may hamper or limit the ability to collect DEI data or in some parts of the world it may be socially unacceptable to ask DEI questions.

- Data collection will only be successful if employees feel safe to share their data. Companies need to let their employees know why they are collecting the data, how it will be used and how it will benefit the workforce for the company to know and track DEI information.
- Consider using a third party consultant to increase the perceived level of privacy and trust. An outside consultant with no history or emotional ties to the organization will be able to bring an objective viewpoint and suggest next steps and actionable items to improve DEI performance.



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<sup>5</sup> [“Canadian securities regulators propose changes to corporate governance disclosure practices and guidelines.”](#) Canadian Securities Administrators, April 2023.

# Appendix

The online survey was shared with all signatories and was open between December 21, 2022 and January 31st 2023. Responses were received from 39 organizations. All information was self-reported by the respondents.

## Survey Questions

1. How do you **currently** incorporate D&I within your **investment process**?
2. Regarding voting and engagement: Have you established expectations for **gender diversity** for the board of directors and/or executives of **Canadian public companies**?
3. Regarding voting and engagement: Have you established targets/minimum thresholds for underrepresented groups other than gender for the board and/or executives of **Canadian public companies**?
4. Generally speaking, in which situations would you vote **against** (or withhold support for) one or more board members of a **Canadian public company**?
5. For **asset owners**: Which D&I engagement topics do you engage asset managers and/or portfolio companies on?
6. On a scale of 1-5, to what extent are you satisfied with **progress** on D&I in your **investments**?
7. Which D&I practices or attributes does your organization feature to align with D&I objectives **internally**?
8. For which **underrepresented groups** do you have/expect to set targets within **your organization**?
9. Does your organization have targets for **gender diversity** for the board of directors and/or executive leadership team within **your organization**?
10. Does your organization disclose their internal DEI information?
11. On a scale of 1-5, to what extent are you satisfied with **progress** on D&I within **your own organization**?

