



ALL HANDS ON DECK:

Opportunities for
Investment Management
Firms to Advance
Reconciliation



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For more information on RRII, please visit our website at reconciliationandinvestment.ca.

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Executive Summary

Investment management firms can play an important role in advancing reconciliation and Indigenous rights recognition as employers, economic actors, shareholders, capital providers and, for those with Indigenous clients, stewards of Indigenous wealth. How should asset owners expect their investment managers to fulfill these roles and how well are investment managers meeting those expectations? In this report, the Reconciliation and Responsible Investment Initiative (RRII) provides an initial answer to those questions by combining previous RRII research with responses to a unique voluntary investment manager survey and offers five recommendations for improvement.

With input from 48 Canadian investment managers and advisors, RRII developed a framework to describe actions that investment managers can take to advance reconciliation and Indigenous rights recognition. The framework is structured around three pillars:

- 1. Internal Organizational Policies and Practices:** Fostering Indigenous economic success and building opportunities
- 2. Client Relations Policies and Practices:** Stewarding Indigenous communities' wealth effectively
- 3. Investment and Stewardship Policies and Practices:** Incorporation of Indigenous rights and economic reconciliation into investment analysis and stewardship

This framework was then used to create a survey to identify current investment manager practices related to reconciliation and Indigenous rights recognition. The survey was conducted in early 2021. Forty-seven responses were received and analyzed. This report summarizes the research findings and explores their implications.

The research reveals significant differences in the levels of awareness of – and engagement with – reconciliation and Indigenous rights recognition across the investment management firms that

responded to the survey. While almost all respondents acknowledged these roles in some way, the aggregate picture shows clear opportunities for firms to strengthen the actions they take to promote reconciliation and Indigenous rights recognition.

Building on these findings, the report explores opportunities for investment management firms to further reconciliation and respect for Indigenous rights, support the growth of the Indigenous economy, and foster positive economic outcomes for Indigenous communities and individuals. Recommendations for investment management firms focus on five themes:

1. Developing a clear vision on reconciliation and Indigenous rights;
2. Deepening engagement with Indigenous peoples;
3. Identifying new opportunities to support reconciliation;
4. Promoting reconciliation across the investment chain; and
5. Supporting economic reconciliation and investment partnerships.



Introduction

Across Canada, trusts have been established by Indigenous communities when financial settlements have accompanied recognition of Indigenous rights and title. Today, Indigenous trustees steward assets collectively worth billions of dollars, held in trust for the benefit of present and future generations of their communities. With support from contracted investment management firms, Indigenous trusts often invest in capital markets on behalf of their beneficiaries.

At the same time, other institutional investors, such as foundations and universities, are exploring opportunities to support Indigenous peoples by leveraging their investments to advance reconciliation goals, including respect for Indigenous rights. Central to the investment process for Indigenous trusts and other institutional investors – and to the realization of their goals – is the relationship they have with their investment managers.

Investment management firms play critical roles as employers, economic actors, shareholders, and capital providers – as well as stewards of Indigenous wealth, for those with Indigenous clients. As such, investment managers are in a unique position to contribute to the broad societal aim of reconciliation between Indigenous and non-Indigenous peoples in Canada.¹

However, many investment management firms have not explicitly adopted a reconciliation and rights recognition lens through which to view their investment policies and processes. This creates a gap in the responsible stewardship of capital belonging to Indigenous communities and other asset owners. Incorporating reconciliation and Indigenous rights recognition into investment firms' policies and practices is important from a variety of perspectives:

- Truth and Reconciliation Commission Call to Action 92 specifically calls upon the corporate sector to adopt the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) as a reconciliation framework and apply its principles, norms, and standards to corporate policy and core operational activities.²

- Indigenous rights – and Free, Prior, and Informed Consent (FPIC) specifically – are financially material issues for investors.³ In Canada, federal and provincial governments’ recent commitments to harmonize UNDRIP with domestic laws⁴ may heighten the importance of embedding due diligence on Indigenous rights into investment oversight.
- Strategically, engaging with Indigenous communities mitigates risk and protects and enhances the value of investments.

While many investment management firms have endorsed reconciliation in Canada, the degree to which firms’ support for reconciliation is reflected in their actions and policies as employers, economic actors, shareholders, and capital providers is not well understood. To better understand investment managers’ efforts to advance reconciliation, RRII developed a framework to explore investment management firms’ efforts and refined the framework in consultation with investment managers and advisors in December and January of 2021. RRII then collected data through a survey of investment management firms in February and March of 2021. The analysis of the survey results forms the core of this report and its recommendations.

Building on a roundtable discussion with investment management firms, and our previous research and practical guides,⁵ RRII has developed a framework to evaluate the efforts and commitments of major investment management firms in realizing reconciliation and Indigenous rights recognition in Canada. The framework has three pillars:

1. Internal Organizational Policies and Practices: Fostering Indigenous economic success and building opportunities

Firm policies to increase opportunities for positive economic outcomes amongst Indigenous peoples through training, hiring, and advancement of Indigenous employees; preferential procurement policies for Indigenous contractors and suppliers; knowledge of Indigenous-focused investment opportunities; support for research on the investor case for investing in alignment with reconciliation and Indigenous rights; and the provision of scholarships for Indigenous youth.

2. Client Relations Policies and Practices: Stewarding Indigenous communities’ wealth effectively

Promotion of tailored, values-informed investment policies for Indigenous clients; discussion of Indigenous-focused investment opportunities with clients; and implementation of cultural awareness training within the firm at all levels.

3. Investment and Stewardship Policies and Practices: Championing reconciliation across the investment chain

Integration of information relating to Indigenous rights, title, and reconciliation into company valuation and other investment decision-making processes; advancement of reconciliation, Indigenous rights and title, and related matters through the stewardship of public equities, as exhibited through proxy voting records, voting guidelines, engagement priorities and outcomes, and public policy positions.

The assessment framework was operationalized through a research approach centring direct engagement with investment managers through an online survey (available in Appendix A: Survey Template). Further details on the research process and interpretation of the results are available in Appendix B. The results of the survey allowed us to perform an analysis of current investment manager practices related to reconciliation and Indigenous rights recognition, and to present recommendations to strengthen their actions.

CHARACTERISTICS OF SURVEY RESPONDENTS

Forty-seven investment managers responded to the survey sent out in February 2021. An initial set of survey questions requested information on firm location, respondent role, and firm size. Approximately 60% of respondents answered these questions. The results are illustrated in Figures 1 and 2 and Table 1 below. Based on these responses, it appears that the survey was primarily completed by directors, vice presidents, and managers at firms with over 100 employees, headquartered in Canada's largest cities (i.e., Toronto, Montreal, and Vancouver).

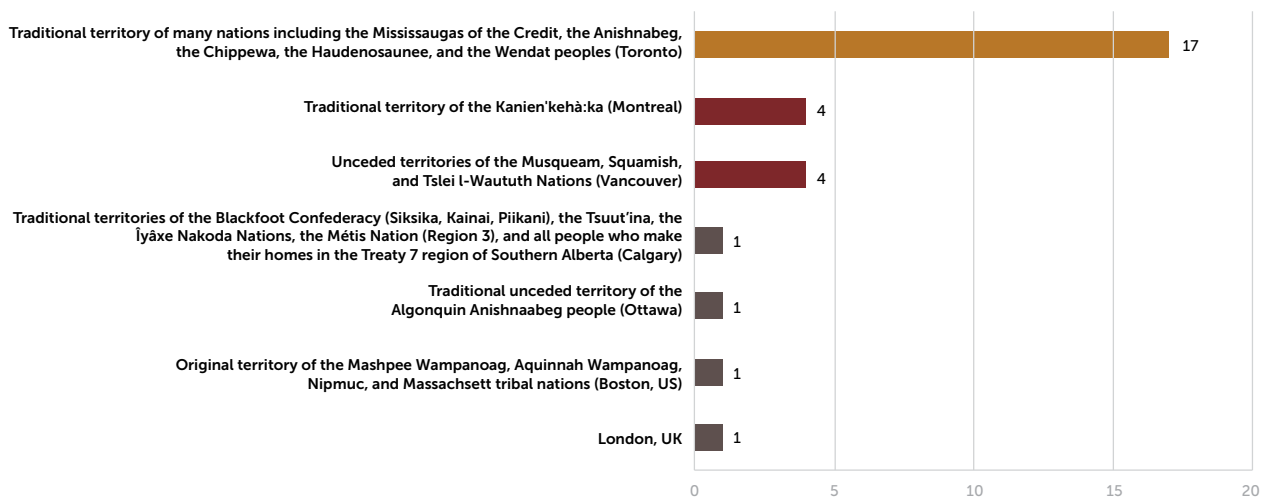


Figure 1 - Location of headquarters of participating firms (n = 29)

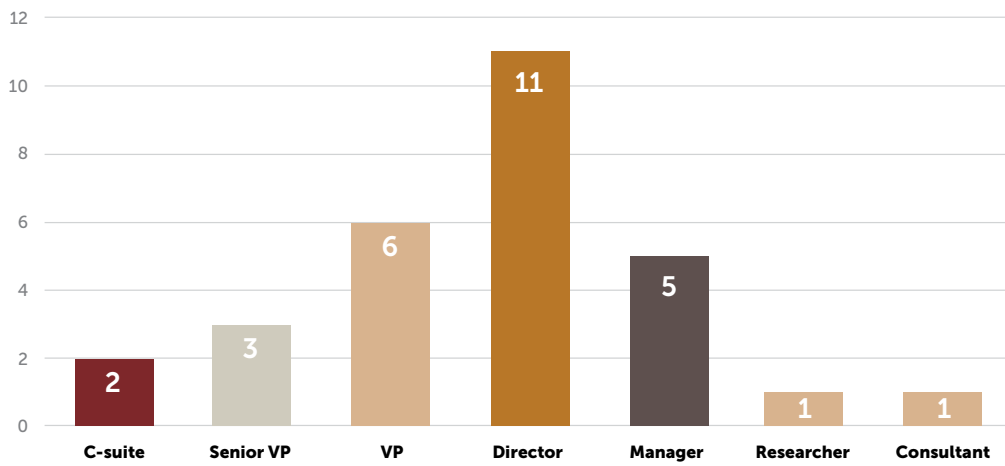


Figure 2 - Survey respondent's role in firm (n = 29)

Table 1 - Firm size (n = 31)

	SMALL (> 20 PEOPLE)	MID-SIZED (20 – 100 PEOPLE)	LARGE (< 100 PEOPLE)
NUMBER OF FIRMS	7	9	15



Analysis

The survey for investment management firms consisted of multiple choice and open-ended questions. The analysis and recommendations that follow are based on the survey results and the three pillars of the assessment framework.

PILLAR ONE: INTERNAL ORGANIZATIONAL POLICIES AND PRACTICES

Figure 3 below illustrates survey responses to four questions relating to firms' internal policies and practices. According to the survey results, the most frequently adopted internal policies are those that foster opportunities for Indigenous people within the firm (49%, or 23 respondents), such as through scholarships and training programs for prospective Indigenous employees. The least commonly adopted internal policies are those related to Indigenous procurement prioritizing the procurement of goods and services from Indigenous-owned businesses (16%, or 8 respondents).

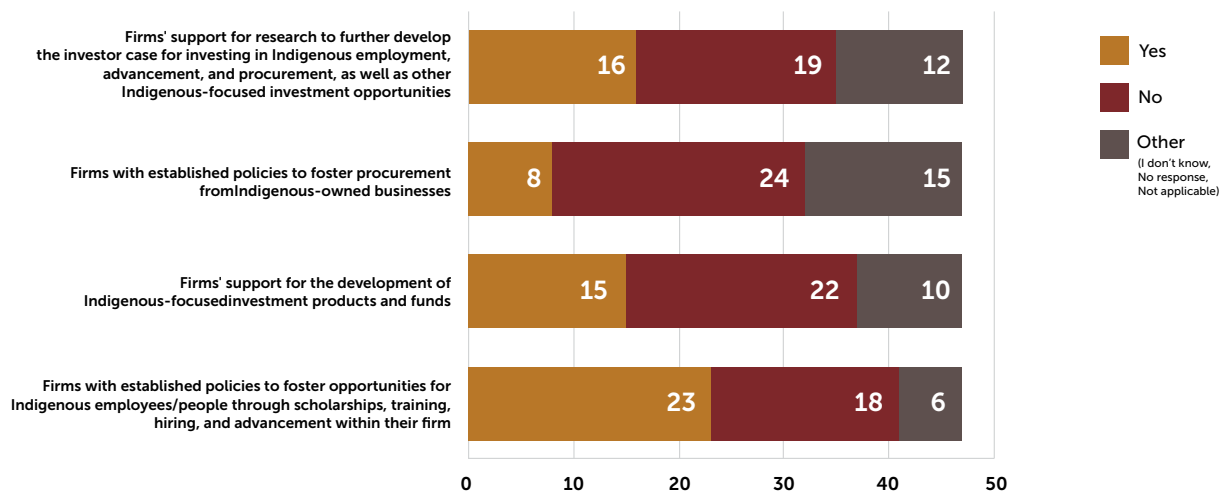


Figure 3 - Firms' adoption of internal organizational policies and practices (n = 47)

Twenty-three respondents (49%) signalled that their firms have developed policies to increase both the pipeline of prospective Indigenous employees as well as the supply of jobs available to Indigenous people at their firms. For example, when offered the opportunity to provide further related details, six respondents reported that their firms sponsored scholarships and bursaries for Indigenous students, with several specifically targeting those considering careers in financial services. Two respondents noted that they also sponsored general educational programming within client communities. Tools designed to increase the supply of available jobs for Indigenous professionals include hiring targets and seat set-asides for Indigenous students in firm internship programs.

When asked to elaborate further, three respondents noted that they rely on partnerships or third-party support to advance such internal initiatives. For instance, one respondent mentioned that their firm contracts advisors from Indigenous communities to offer guidance on building opportunities for Indigenous talent at their firm. Another respondent explained that their firm looks for employment centres and job boards used by Indigenous people to post job opportunities at their firm in hopes of attracting Indigenous talent.

Qualitative analysis of the survey results revealed that firms' thinking on these matters is largely situated within the context of a diversity, equity, and inclusion (DE&I) framework. For example, four respondents highlighted that their firms had relevant internal policies broadly addressing diversity and inclusion in relation to both the general employee pool and senior leadership.

Overall, the adoption of the assessed internal policies and practices related to reconciliation are not commonplace within surveyed firms, suggesting that activity on reconciliation is lagging in this area. Additional information on the distribution of the firms' scores across the four questions related to internal policies and practices is available in Appendix B (Figure 9).

PILLAR TWO: CLIENT RELATIONS POLICIES AND PRACTICES

Survey responses to seven questions related to firms' client relations policies and practices varied greatly, as illustrated in Figure 4. Almost all surveyed firms (83%, or 39 respondents) have general policies or guidance governing gift-giving, suggesting that guidelines for business conduct to avoid potential or actual conflict of interest situations are commonplace.

Around half of surveyed firms encourage Indigenous clients to consult with their community regarding beneficiaries' values and beliefs (47%, or 22 respondents), and have educational programs for management and staff on the history of Indigenous peoples (45%, or 21 respondents). Relative to these practices, firms are much less likely to raise (21%, or 10 respondents) or support (24%, or 12 respondents) Indigenous investment opportunities with Indigenous clients and to raise (17%, or 8 respondents) or support (17%, or 8 respondents) Indigenous investment opportunities with non-

Indigenous clients. A small number of firm representatives referred to building relationships with Indigenous communities. Only two respondents cited instances in which their firms participated in a community event.

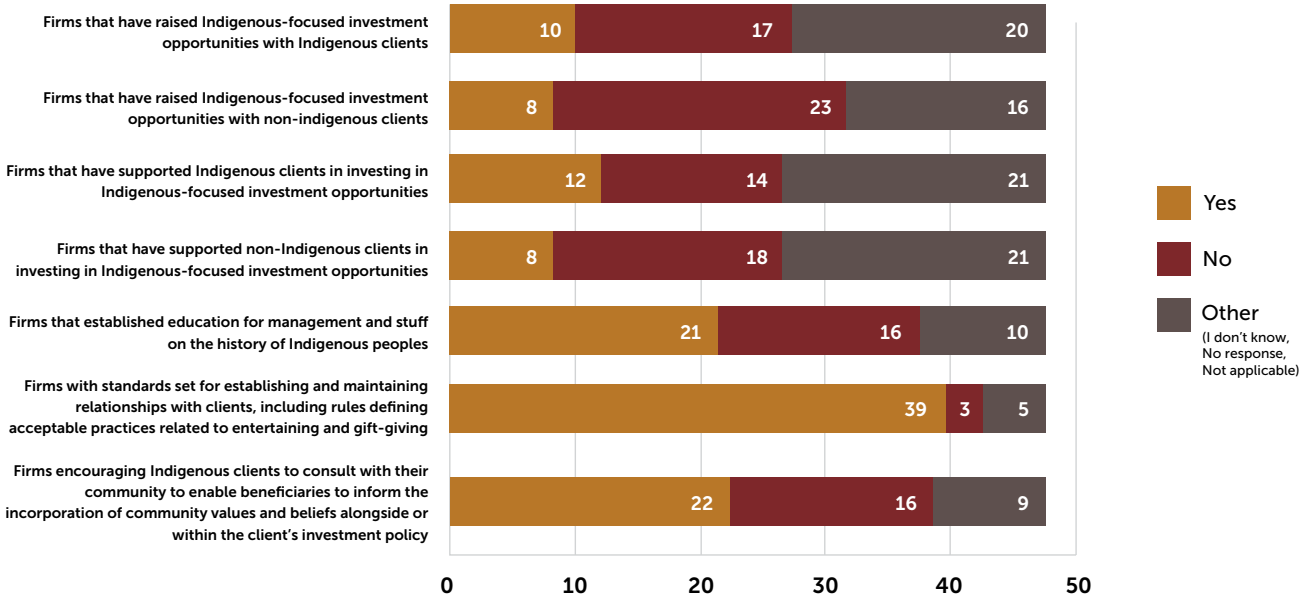


Figure 4 - Firms' adoption of client relations policies and practices (n = 47)

Survey respondents were also asked whether they were aware of any Indigenous-led and/or Indigenous-focused investment opportunities (Figure 5). The Raven Indigenous Impact Fund was the best-known fund with almost half of respondents (48%, or 22 respondents) aware of it. However, almost two fifths of respondents (39%, or 18 respondents) were unaware of any Indigenous-focused investment prospects.

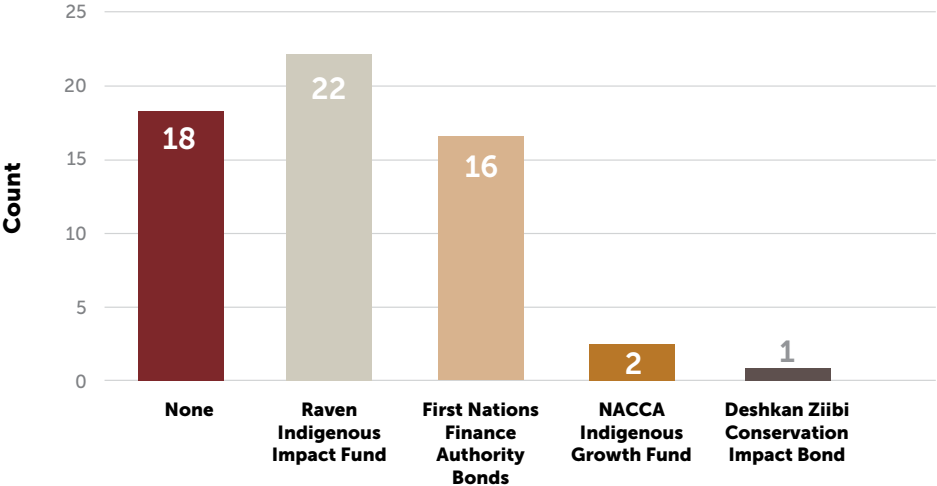


Figure 5 - Awareness of Indigenous focused-investment opportunities (n = 46)

Information on the distribution of the firms' scores across six central questions⁶ related to client relations policies and practices is available in Appendix B (Figure 10). The results suggest the existence of a division of firms between "leaders" and "laggards" when aligning client relations approaches with reconciliation aims. The leaders can be identified as firms who engage in these types of practices more frequently, while laggards are in the process of exploring options to strengthen relationships with Indigenous clients.

PILLAR THREE: INVESTMENT AND STEWARDSHIP POLICIES AND PRACTICES

Overall, respondents reported broad implementation of seven surveyed investment and stewardship policies and practices related to reconciliation and Indigenous rights recognition. Figure 6 illustrates responses on questions regarding integration, stewardship, and policy advocacy.

The survey found that 85% of firms (or 40 respondents) have incorporated considerations related to reconciliation and Indigenous rights recognition into investment analysis, although the degree to which this is done was not specified. For 70% of firms (or 33 respondents), this has resulted in a change in the valuation of portfolio companies.

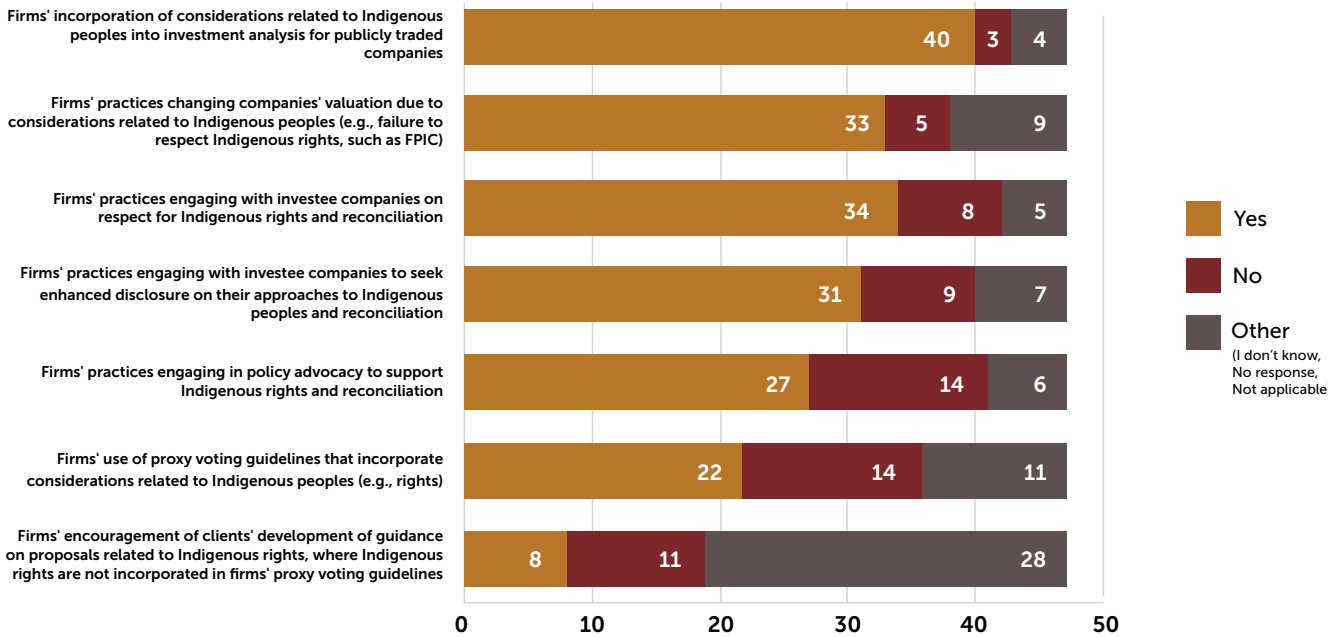


Figure 6 - Firms' adoption of investment and stewardship policies and practices (n = 47)

Just less than three quarters of respondents (72%, or 33 respondents) noted that they engage with investee companies on Indigenous considerations. When offered the opportunity to elaborate, only three respondents reported facilitating the creation of policies, plans, and financing vehicles (such as co-investment mechanisms) within these companies. Most investment managers focus engagement activities on sectors such as materials, energy, and financial services (particularly banks) where Indigenous rights are perceived as highly material. One respondent elaborated that they engage with “companies held regarding their management of relationships with Indigenous peoples where business operations impact, or are dependent on, such relationships [...]” This response reaffirms the possibility that firms’ approaches to investment stewardship may emphasize particular sectors where the materiality of Indigenous rights has been recognized as high.

Other engagement priorities were less frequently pursued by investment managers, including seeking enhanced disclosure on FPIC and other Environmental, Social, and Governance (ESG) policies and practices (66%, or 31 respondents). Just over half of respondents reported that their firms had engaged in policy advocacy to support Indigenous rights and reconciliation (57%, or 27 respondents). Firms that specified the content of such policy advocacy noted it was largely undertaken to support UNDRIP legislation and FPIC.

Of the relevant investment and stewardship policies and practices surveyed, the least commonly adopted approaches centred on proxy voting guidelines that incorporate considerations related to Indigenous peoples (47%, or 22 respondents) and, relatedly, firms’ encouragement of client-developed proxy guidelines where firms’ own guidelines do not incorporate Indigenous rights (17%, or 8 respondents).

Current investment and stewardship practices appear largely informed by firms’ recognition of the financial materiality of Indigenous relations and rights to investment outcomes. As one respondent reported, “This is an area of development for our firm from an engagement perspective,” suggesting that some firms see room for growth in reconciliation-centred stewardship practices in the future.

Information on the distribution of the firms’ scores across questions related to investment and stewardship policies and practices is available in Appendix B (Figure 11). Nearly no firms achieved very high overall scores on investment and stewardship policies and practices. The distribution of firms’ overall scores in this pillar suggests that there is a small number of leaders implementing investment and stewardship best practices, as well as a larger group of laggards. Relative to pillars one and two, fewer firms achieved very high scores in pillar three, suggesting that robust investment and stewardship practices related to reconciliation and Indigenous rights are less widespread than internal and client relations policies and practices surveyed.

Box 1: Proxy Voting Records

In recent years, several proposals on Indigenous rights and reconciliation have been tabled at the annual general meetings of large widely held companies in Canada and abroad. The survey requested firms' voting records on four relevant proposals at Enbridge, TransCanada Corporation, Bank of Nova Scotia, and BHP. A total of 43 voting records were provided by respondents that reported holding the relevant companies (Figure 7). Of these 43 records, thirteen (or 30%) were votes casted in favour of the shareholder proposals on Indigenous rights and reconciliation. The majority of votes reported were cast against these proposals (28 votes, or 65%), and two abstentions (or five percent) were reported.

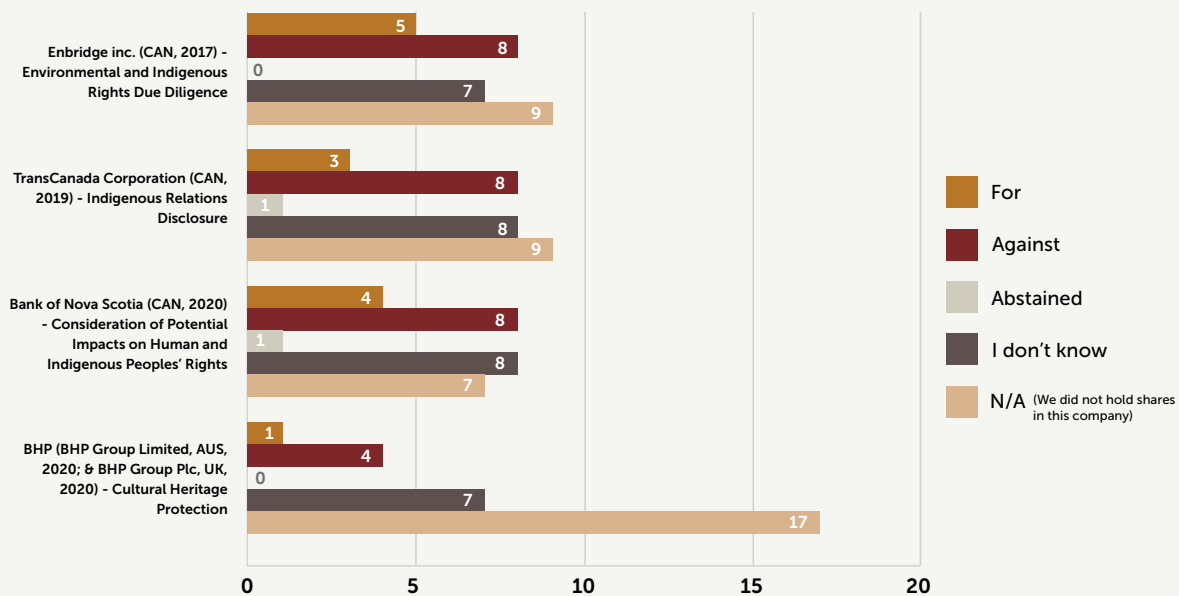


Figure 7 - Firms' voting records on recent Indigenous rights-related shareholder proposals at company annual general meetings

Of the four proposals analyzed, the 2017 Enbridge Inc. Environmental and Indigenous Rights Due Diligence proposal was the most supported among survey respondents, with five of 13 (38%) votes cast in favour of the proposal. Per the company's records, total shareholder support for the proposal was 30%,⁷ including proxies not exercised, which would have been delegated to Enbridge for execution. The 2020 BHP Cultural Heritage Protection proposal was the least supported among survey respondents, with just one of five (20%) known votes cast in support. The proposal was withdrawn the day prior to the company annual general meeting when an agreement was struck between traditional Indigenous landowners and BHP.⁸

Given that almost half of respondents reported that their proxy voting guidelines cover considerations related to Indigenous peoples, the voting record of 65% opposition to the four proposals in the survey suggest that a review of the voting criteria used by asset managers and owners may be warranted.

OVERARCHING TRENDS

As part of the survey, respondents had the opportunity to describe specific examples of how their firms support Indigenous communities and align with best practices, legislation, and conventions on Indigenous rights. Many firms also indicated a general commitment to advancing reconciliation and Indigenous rights recognition and expressed a desire to continue learning. For instance, the quotes below highlight two instances in which respondent firms advocated for or actively facilitated change:

"We have been promoting the incorporation of FPIC and alignment with UNDRIP for some time. We are also increasingly focused on the role of equity partnerships and other relationships that have an equitable sharing of profits/opportunities. We have also lobbied government to embrace its responsibility to live up to the principles of UNDRIP and its duty to consult."

"We have worked with clients and investment managers to establish a set of shareholder proxy voting guidelines that advocate for the rights of Indigenous Peoples."

Of the 47 survey respondents, two expressly noted that their firms have not yet acted to advance Indigenous rights and reconciliation, but that they are in the exploration or planning stages. Two others expressed that their firms intend to act but did not describe tangible plans to do so.

Firms were also asked to discuss benefits and barriers they have experienced in relation to advancing reconciliation and Indigenous rights recognition. Table 2 below lists the most frequent responses reported from survey respondents. Common barriers centre firms' struggles to choose between alternative approaches and priorities related to diversity, equity, and inclusion generally, and reconciliation and Indigenous rights-related matters specifically. Some firms framed these matters as being in competition for limited and highly demanded firm resources.

Table 2 - Benefits and barriers to advancing Indigenous rights and reconciliation

BENEFITS	BARRIERS
Better workplace	Finding the 'right fit' opportunities for engagement
Alignment with corporate purpose	Lack of expertise and understanding
Better decision making, holistic investment	Limited resources and capacity
Economic productivity	Many competing demands
Strategic advantage	Siloes within the firm
Risk mitigation	
Learn from Indigenous teachings	

When asked about factors that reward firms for advancing reconciliation and Indigenous rights recognition, respondents cited several benefits. One prominent thread is the framing of these matters as a social responsibility. As one respondent noted, "We did it because it was the right thing to do. We were not measuring the tangible benefits." Others emphasized alignment with their strategic priorities.

"Economic productivity is the benefit for all involved. We benefit from Indigenous teaching and the holistic approach Indigenous values [bring to] the investment process."

Another respondent posited, "As an investor, we consider community relations as a factor in investment analysis as these can also lead to financial impacts on companies such as regulatory fines or reputational risks." Several respondents emphasized the importance of relationship-building, as exemplified by one response that noted, "We have been developing Indigenous relationships for almost two decades and have developed wonderful individual and community relationships. We are still on a journey of discovery, growth, and reconciliation." As these quotes demonstrate, firms have tended to act out of a sense of right and wrong, for business or strategic reasons, or a combination of the two.



Conclusion and Recommendations

To varying degrees, investment management firms have taken steps to embed consideration of reconciliation and Indigenous rights in internal, client relations, and investment and stewardship policies and practices. These efforts can help protect the value of Indigenous peoples' collective financial assets, foster Indigenous economic success, and build client confidence that wealth is being stewarded in alignment with communities' values, traditions, and collective aspirations. The results of this survey highlight the range of actions and tools currently employed by investment managers to advance reconciliation and Indigenous rights recognition.

The responses also reveal significant differences in the level of awareness of, and action on, reconciliation and Indigenous rights across the surveyed firms. The aggregate picture shows that opportunities exist to strengthen the actions taken by firms to foster reconciliation across their policies and practices.

Several participating firms referred to their approach to reconciliation and the recognition of Indigenous rights as "a journey." This report offers guidance for investment management firms to continue walking alongside Indigenous people on this journey towards a shared, more productive, and inclusive future.

When thinking about the different actions that investment management firms can take, it is useful to consider where these firms have influence and can promote reconciliation and Indigenous rights. The survey responses pointed to six main spheres of influence, as shown in Figure 8, that merit further consideration by investment management firms looking to advance reconciliation and Indigenous rights recognition.



Figure 8 - Investment management firm spheres of influence and possible ways to further action on reconciliation

With these spheres of influence in mind, the following recommendations seek to help guide investment managers in their efforts to advance reconciliation.

RECOMMENDATION 1:

Articulate a clear vision on reconciliation and Indigenous rights, including policies, priorities, and outcomes to guide and measure the firm's actions

Investment management firms benefit from a clear understanding of why they are adopting policies and practices related to reconciliation and Indigenous rights. This may vary from firm to firm, but there should be a vision to guide the firm's actions. Referring to corporate values related to diversity and inclusion broadly, alongside specific commitments to advancing reconciliation and upholding Indigenous rights, can provide a valuable foundation. Citing relevant frameworks, laws, policies, and international conventions, such as the Truth and Reconciliation Commission's Calls to Actions, the Declaration on the Rights of Indigenous Peoples Act in B.C. and UNDRIP more broadly, can help contextualize the vision.

Once the firm's vision has been articulated, suitable strategic approaches, priorities, and measurable outcomes can be developed. Box 2 outlines the approaches of several Australian investment management firms that are using Reconciliation Action Plans to guide their own practices.

POSSIBLE ACTION STEPS:

Develop a public statement, grounded in relevant frameworks, laws, and international conventions, articulating the firm's vision of reconciliation

Establish a plan outlining key actions and priorities for advancing reconciliation

Identify outcomes for corporate engagement activity

Collaborate with peers and reconciliation-aligned organizations to identify and share best practices

Box 2: Developing a Reconciliation Action Plan – Examples from Australia

In 2015, HESTA, an Australian superannuation fund for health and community services workers, developed a Reconciliation Action Plan (RAP),⁹ becoming one of the first in Australia's investment industry to do so. In its action plan, HESTA outlines various actions, responsibilities, timelines, and targets in support of its vision for reconciliation including, among others, raising awareness among industry peers and encouraging others in the investment industry to develop reconciliation action plans themselves.

Today, several Australian investment management firms have also developed their own reconciliation action plans. For example, in its RAP, AMP Capital articulates a commitment to "taking a prominent role in creating opportunities to enhance the quality of the lives and communities of the Traditional Custodians of this land."¹⁰ Among the focus areas for its RAP is a commitment to developing an internship program to support career pathways for Aboriginal and Torres Strait Islander Peoples in finance and investment and to finding ways to increase representation of First Australians in its supply chain.

Other Australian firms are integrating reconciliation into their asset selection processes and evaluating portfolio companies based on their commitments to reconciliation. Melior Investment Management, for example, advocates for companies to adopt a RAP,¹¹ noting that their research has found that companies that have adopted a RAP value openness, equality, and engagement not only with their employees but also with the broader community in which they operate. As a result of this, Melior has developed an Impact Fund that has a positive screen for companies with reconciliation action plans, resulting in a 11% higher proportion of companies with RAPs compared to its benchmark.

RECOMMENDATION 2:

Deepen engagement with Indigenous peoples

Our research suggests that investment firms have room to expand interactions with Indigenous community members and build stronger relationships – both individually and at the firm level – with Indigenous people. This can be facilitated both informally through participation in community events or other gatherings, and formally through partnerships with Indigenous organizations and participation in forums on investment that include Indigenous representation.

Such forums could also help investment managers expand their knowledge of Indigenous-focused investment products and funds.

Deepening engagement with Indigenous peoples can help improve investment firms' understanding of Indigenous peoples' aspirations and priorities,¹² and help address some of the questions and points raised in the survey by investment managers, such as the following responses:

"What additional policy development is required beyond the diversity and equity programs currently in place by most firms today?"

"We believe [...] that the investment management community needs a better understanding of the concrete changes Indigenous groups would like to see in the governance of Canadian corporations beyond FPIC."

Investment management firms should review existing partnerships and explore new opportunities to partner with Indigenous-led organizations and initiatives. Exploring relationships with university programs that focus on building Indigenous leadership in business, for example, could also provide opportunities to host Indigenous students through internship programs and help increase interest in finance and investment among Indigenous youth. For firms that provide financial support to research initiatives, firms might consider earmarking a portion of that support to fund Indigenous researchers and/or research that would advance reconciliation goals broadly.

In addition to deepening engagement with Indigenous communities and organizations externally, opportunities exist for investment managers to improve their engagement with Indigenous people within their organizations through, for example, ensuring that diversity policies seek to foster Indigenous representation among their firm’s board of directors and in senior leadership roles, and across the firm’s workforce more broadly.

POSSIBLE ACTION STEPS:

Organize cultural awareness training and education on the history of Indigenous peoples, UNDRIP, treaties and Aboriginal rights, Indigenous law, and Aboriginal-Crown relations for all firm management and staff

Explore partnership opportunities with Indigenous-led organizations, initiatives, and programs, as well as university programs that focus on building Indigenous leadership in business

Support research exploring the financial case for investing in Indigenous businesses and employment, and for procurement of Indigenous goods and services

Support the development and/or expansion of Indigenous-led investment products and funds

RECOMMENDATION 3:

Review firm policies to identify opportunities to expand support for reconciliation and ensure they are consistently implemented

Numerous firms surveyed reported having internal policies related to Indigenous participation in their firm's employee ranks, and in the investment industry at large. However, few firms have established policies prioritizing procurement from Indigenous-owned businesses, for example. To identify innovative policy levers such as procurement, firms may benefit from auditing existing policies to uncover opportunities to deepen support for reconciliation.

In addition to highlighting opportunities for firms to create new policies, the research also uncovered the need to bridge potential gaps between the objectives of existing reconciliation-related policies and their outcomes. This is

apparent, for instance, in firms' voting records on reconciliation-related shareholder proposals. More than half of surveyed firms do not incorporate Indigenous rights into their proxy voting guidelines and very few reported casting votes in favour of relevant shareholder proposals. As such, firms may wish to revisit their own proxy voting guidelines and processes in consultation with Indigenous representatives to ensure the spirit and intent of reconciliation-related guidelines are implemented, and that such guidelines are unambiguous, unhindered by institutional barriers, and consistently applied.

POSSIBLE ACTION STEPS:

Develop internal accountability mechanisms to monitor the firm's efforts to advance Indigenous rights and reconciliation

Identify initiatives and set targets for the training, hiring, and advancement of Indigenous employees

Ensure firm diversity policies are effective in fostering Indigenous representation in senior management and board roles

Prioritize procurement from Indigenous-owned businesses

Incorporate consideration of Indigenous rights and reconciliation into investment analysis

Incorporate guidance related to Indigenous rights into proxy voting guidelines

RECOMMENDATION 4:

Actively promote reconciliation across the investment chain

Firms' activities under the third pillar, investment and stewardship policies and practices, suggests that Indigenous rights are broadly recognized as relevant to investee company performance, and signals a growing consensus about their materiality in investment decisions.

Investment management firms are well positioned to foster greater inclusion of reconciliation and Indigenous rights considerations across the investment value chain. For instance, reconciliation and Indigenous rights are not thoroughly incorporated into leading sustainability reporting frameworks, such as the Global Reporting Initiative (GRI).¹³ The integration of indicators relevant to Indigenous rights and reconciliation into leading sustainability reporting frameworks and ESG rating systems and methodologies would be of great value in augmenting and standardizing corporate reporting on these considerations. Here, firms can contribute by supporting efforts to incorporate relevant indicators related to Indigenous rights into ESG rating systems and methodologies.

Investment management firms can also advocate for meaningful corporate policies on Indigenous rights and FPIC with portfolio companies and seek expanded disclosure from investee companies on relevant metrics related to reconciliation and Indigenous rights. Support from investors on improved disclosure of public companies' efforts on Indigenous inclusion and reconciliation is apparent. Box 3 illustrates one such example at TMX Group Ltd.¹⁴

Box 3: Support for progress on reconciliation at TMX Group Ltd.

In May 2021, shareholders of TMX Group Ltd. (TMX Group) voted overwhelmingly to support a resolution on Indigenous inclusion and reconciliation at the company's annual and special meeting of shareholders, as 98% of shares were cast in favour of the amended proposal.

The vote resolved that the TMX Group's Board of Directors report to shareholders on its work:

- to develop internal programs and policies on equity, diversity, and inclusion (ED&I), including those that encompass current and prospective Indigenous employees, and relationships with Indigenous communities,
- to review procurement from Indigenous-owned businesses, and those owned by other underrepresented groups, and establish appropriate disclosure practices and objectives; and
- to engage with qualified Indigenous and other organizations to support this work so that these programs can be shown to meet standards that are appropriate for the company and, wherever possible, aligned with commonly-used frameworks and to report in an ongoing way that supports investors' ability to determine the breadth, depth, and content of these programs.

The proposal had been filed by the Atkinson Foundation with support from SHARE and constitutes the first time a proposal on reconciliation had ever been jointly endorsed by the board of directors of a Canadian company.

The nearly unanimous vote in favour of the shareholder proposal suggests that there is a widespread desire for improved disclosure of public companies' efforts on reconciliation and Indigenous inclusion. The resounding support also intimates that there is an appetite among investors for more productive engagement with investee companies on TRC Call to Action #92 and further embedding of Indigenous relations and reconciliation across portfolios, which firms can facilitate and support.

Investment managers can meaningfully contribute to reconciliation and Indigenous rights by pursuing productive dialogue with investee companies on related company policies and reporting and supporting votes on Indigenous relations when they arise at company AGMs. Where firms are reliant upon external research providers and rating agencies for ESG data on portfolio investments, communicating the need to thoroughly incorporate Indigenous relations and rights considerations within such research and data is also critical. Lastly, incorporating reconciliation and Indigenous rights into regular meetings with clients, presentations on ESG investing, and analyst calls can also help foster greater consideration of reconciliation across the investment chain.

POSSIBLE ACTION STEPS:

Support efforts to incorporate relevant indicators related to Indigenous rights into ESG rating systems and methodologies

Seek expanded disclosure from investee companies on relevant metrics related to reconciliation and Indigenous rights

Advocate for meaningful corporate policies on Indigenous rights and FPIC with portfolio companies

Discuss reconciliation and Indigenous rights in regular meetings with clients, in presentations on ESG investing, and in analyst calls to help normalize the inclusion of Indigenous priorities in these conversations

RECOMMENDATION 5:

Identify opportunities to support economic reconciliation and partnerships with Indigenous communities and businesses across investment portfolios.

Some surveyed firms indicated that the materiality of Indigenous rights is only factored into investment analysis in certain sectors, such as materials, energy, and financial services sectors. Yet cases such as the recent sale of Clearwater Seafoods Inc. to Premium Brands Holdings Corporation and a coalition of Mi'kmaq First Nations illustrate the salience of Indigenous considerations and rights recognition in other economic sectors. This case is described further in Box 4.

Box 4: Clearwater Seafoods acquisition by Premium Brands and coalition of Mi'kmaq First Nations

Equity stakes in business activities and company ownership represent an important economic opportunity for Indigenous communities and businesses. One recent example of such is the joint acquisition of Clearwater Seafoods Inc. in 2021, the largest seafood firm in the Maritimes, by Vancouver-based Premium Brands Holdings Corp. and a coalition of seven Mi'kmaq First Nations in a \$1 billion transaction.

The transaction occurred amid historic tensions between Indigenous and non-Indigenous fishers, which sparked violence in Fall 2020. After members of the Sipekne'katik First Nation in Nova Scotia opened a self-regulated inshore lobster fishery in order to exercise their treaty rights, as affirmed by the Supreme Court of Canada in 1999,¹⁵ non-Indigenous fishers responded aggressively, leading to civil unrest and violence.

Ownership in Clearwater Seafoods supports the long-term involvement of the involved Mi'kmaq communities view in the regional commercial fishing economy well into the future. Mi'sel Joe, Chief of the Miawpukek First Nation and a leader in the coalition reinforces that the ownership of Clearwater will foster significant benefits for his community through revenue generation and employment opportunities, and support his Nation in "regain[ing] [its] self-sustaining economy."¹⁶ The Mi'kmaq coalition own 50% of Clearwater Seafoods and hold the company's Canadian fishing licenses.¹⁷

Partnerships such as the Clearwater Seafoods acquisition can help shift the perception of the Indigenous community from solely being holders of treaty rights to being economic partners.

Rather than being understood strictly through the limited lens of risk mitigation, Indigenous rights and knowledge are being recognized as material opportunities that can strengthen investment outcomes. This expanded understanding of materiality has the potential to be a powerful disruptor and an important step in the journey of reconciliation. Investment management firms are well positioned to contribute by encouraging investee companies' pursuit of such goals. For instance, investment managers can foster dialogue with portfolio companies on potential equity ownership arrangements with Indigenous nations and businesses, where such joint partnerships can add mutual value and enhance Indigenous economic development.

POSSIBLE ACTION STEPS:

Identify opportunities to provide support to investee companies on their pursuit of equity ownership arrangements with Indigenous businesses, entrepreneurs, and communities

Initiate or support the development of Indigenous-focused investment vehicles

Support company efforts in deepening relationships and partnerships with Indigenous communities, people, and organizations



Appendix A: Survey Template

RRII is seeking to understand how investment management firms are currently incorporating considerations relating to Indigenous peoples into their activities as key economic actors, and thus advancing reconciliation. To support RRII in building this understanding, you are invited to complete this survey, which should take approximately 10 minutes to complete. The answers you provide will remain anonymous, and results will only be reported in aggregate.

1. Are you aware of any of the following Indigenous-focused investment opportunities?

- Raven Indigenous Impact Fund
- First Nations Finance Authority Bonds
- National Aboriginal Capital Corporations Association Indigenous Growth Fund
- Other (open text box)

2. Please describe the frequency with which your firm engages in the following practices.

- Always
- Often
- Occasionally
- Never, but we intend to within the next 12 months
- Never, and I am not aware of plans to do so in the next 12 months
- I don't know

Incorporate considerations related to Indigenous peoples into your investment analysis for publicly traded companies. (e.g., respect for rights, Indigenous relations policy, and representation among company leadership or board)

Change a company's valuation due to considerations related to Indigenous peoples. (e.g., failure to respect Indigenous rights, such as free, prior, and informed consent)

Engage with investee companies on respect for Indigenous rights and reconciliation. (e.g., to encourage meaningful consultation; to build respectful relationships; and to obtain the free, prior, and informed consent of Indigenous peoples before proceeding with projects)

Engage with investee companies to seek enhanced disclosure on their approaches to Indigenous peoples and reconciliation. (e.g., policies and data on Indigenous employment, advancement, board representation, and procurement)

Engage in policy advocacy to support Indigenous rights and reconciliation. (e.g., to support the harmonization of the United Nations Declaration on the Rights of Indigenous Peoples with domestic laws)

Encourage Indigenous clients to consult with their community to enable beneficiaries to inform the incorporation of community values and beliefs alongside or within the client's investment policy? (e.g., consideration of an investment screen or thematic investments)

3. Please select the appropriate answer for each of the following questions related to your firm's internal organizational policies and practices, and investment and stewardship policies and practices.

- No, and I am not aware of plans to do so in the next 12 months
- No, but we intend to within the next 12 months
- Yes
- I don't know
- Not applicable

Has your firm supported research to further develop the investor case for investing in Indigenous employment, advancement, and procurement, as well as other Indigenous-focused investment opportunities?

Does your firm have any policies in place to foster procurement from Indigenous-owned businesses? (e.g., minimum annual spend, preferential weighting in RFPs, or other)

Has your firm developed or supported the development of Indigenous-focused investment products and funds?

Has your firm established any policies to foster opportunities for Indigenous employees/people through scholarships, training, hiring, and advancement at your firm?

Are considerations related to Indigenous peoples (e.g., respect for rights) incorporated in your firm's proxy voting guidelines (or, where applicable, those of the proxy advisory firm that makes vote recommendations and/or executes your clients' votes)?

If Indigenous rights are not incorporated in your firm's proxy voting guidelines, does your firm encourage clients to develop their own guidance on proposals related to Indigenous rights?

4. Please select the appropriate answer for each of the following questions related to your firm's client relations policies and practices.

- No, and I am not aware of plans to do so in the next 12 months
- No, but we intend to within the next 12 months
- Yes
- I don't know
- Not applicable

Have you raised Indigenous-focused investment opportunities with any of your Indigenous clients? (e.g., Raven Indigenous Impact Fund, First Nations Finance Authority bonds)

Have you raised Indigenous-focused investment opportunities with any of your non-Indigenous clients? (e.g., Raven Indigenous Impact Fund, First Nations Finance Authority bonds)

Has your firm supported any of your Indigenous clients in investing in Indigenous-focused investment opportunities? (e.g., through the Indigenous-focused investment opportunities listed in Question 1 above or direct investments in Indigenous businesses or major on-reserve projects)

Has your firm supported any of your non-Indigenous clients in investing in Indigenous-focused investment opportunities? (e.g., through the Indigenous-focused investment opportunities listed in Question 1 above or direct investments in Indigenous businesses or major on-reserve projects)

Does your firm provide education for management and staff on the history of Indigenous peoples to enable respectful engagement with Indigenous clients? (e.g. the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, treaties and Aboriginal rights, Indigenous law, and Aboriginal-Crown relations)

Do you have any set standards for establishing and maintaining relationships with clients, including rules defining acceptable practices related to entertaining and gift-giving?

5. Can you provide some details about any information that your firm has solicited from investee companies on their approaches to Indigenous peoples and reconciliation? Was the solicited information made available?

6. Can you elaborate upon the focus and content of any policy advocacy your firm has previously engaged in, or is planning to engage in, to support Indigenous rights and reconciliation?

7. Can you provide us with any details related to your firm's current or planned rules regarding acceptable entertaining and gift-giving practices?

8. Can you provide additional details on the content of policies or programs to foster opportunities for Indigenous employees/people through scholarships, training, hiring, and advancement at your firm?

9. For questions to which you responded 'Yes' above, what factors incentivized your firm's decision making? Has the firm experienced any tangible benefits as a result of any of these decisions?

10. For questions to which you responded 'No' above, what are the disincentives or other barriers to your firm's adoption of these policies or initiatives? What might help your firm overcome these challenges?

11. Can you share your firm's voting record on several recent Indigenous rights-related shareholder proposals at company annual general meetings?

For

Against

Abstained

I don't know

N/A (we did not hold shares in this company)

Enbridge Inc. (CAN, 2017) – Environmental and Indigenous Rights Due Diligence

TransCanada Corporation (CAN, 2019) – Indigenous Relations Disclosure

Bank of Nova Scotia (CAN, 2020) – Consideration of Potential Impacts on Human and Indigenous Peoples' Rights

BHP (BHP Group Limited, AUS, 2020; & BHP Group Plc, UK, 2020) – Cultural Heritage Protection

12. What is your role within your firm? (job title)

13. How large is your firm? (number of staff)

- Small (less than 20 people)
- Mid-sized (20 - 100 people)
- Large (more than 100 people)

14. What is the approximate total value of your firm's assets under management? (CAD)

15. Where is your firm's headquarters located?



Appendix B: Research Process



Investment management firms were invited to join a virtual roundtable discussion held in December 2020 in order to provide feedback on the draft assessment framework. The invitation was directly extended to firms involved with the National Aboriginal Trust Officers Association (NATOA) or firms that provide services to its members and disseminated through RRII's and NATOA's mailing lists. The virtual roundtable was closed to investment management firm representatives.

At the initial roundtable discussion in December 2020, the RRII team presented the draft assessment framework and situated it within RRII's objectives. Forty-eight representatives of investment management and advisory firms joined the roundtable discussion. Following a brief presentation, the group discussed the framework for approximately 45 minutes. By and large, the investment managers and advisors present expressed support for the framework and communicated a desire to see best practices emerge within the industry.

Following this discussion, the RRII research team worked to incorporate feedback and insights from the investment managers and advisors into the draft framework, and subsequently developed a survey template to identify investment management firms' activities across the three pillars of the framework. The refined framework was then shared for feedback with several additional Indigenous professionals with significant experience in securities regulation and investment oversight, as well as an Indigenous-led organization specializing in financial management.

Next, the team finalized the survey, which was developed to gain insights into investment management firms' current policies and practices on reconciliation and Indigenous rights recognition (available in full in Appendix A: Survey Template). The survey was primarily administered via the SurveyMonkey website. Requests for survey participation were sent directly via email to all 48 participants who took part in the initial December roundtable; an additional 12 contacts at other investment management firms that provide services to NATOA members; via the mailing lists of RRII, SHARE, NATOA, and the Responsible Investment Association (RIA); via direct email to a range of 29 asset owners within RRII's network to pass along to their managers; and via relevant organizational social media accounts. The research team collected data over a four-week period from February to March 2021. A total of 47 responses were compiled.

The results were assessed to explore the current state of the sector in contributing to reconciliation and Indigenous rights recognition in Canada, while highlighting practices meriting further emulation. The research team undertook a thematic qualitative analysis of responses to open-ended survey questions. The team then analyzed quantitative responses before analyzing the full set of findings, which form the core of this report.

NOTES ON INTERPRETATION

The findings reported apply to the firms that participated in the survey. The study does not make general claims or draw conclusions about the asset management community at large. This is due to the following methodological limitations:

- The survey was voluntary, and responses were not verified by a third party.
- Potential bias from missing data due to skipped questions. Many respondents opted to leave the qualitative questions unanswered. The response rates to quantitative questions that appear later in the survey were generally lower than the response rates to quantitative questions that appear earlier in the survey;
- The survey was distributed primarily to firms with Indigenous clients, or with an existing relationship with NATOA or RRII or organizations associated with them. In that sense, the survey's results may reflect the practices of investment managers with established relationships with Indigenous funds rather than the wider group of all investment managers in Canada.

Appendix C: Additional Summary Statistics

AVERAGE FIRM PERFORMANCE WITHIN EACH PILLAR

The survey data was further analyzed to explore each individual firm's performance in relation to each of the three pillars. This analysis enabled us to study how much action each firm has taken and how performance varied across the pillars. In order to explore the relative performance of each firm, each response was assigned a numeric score,¹⁸ which were then summed and divided by the maximum possible score, and ultimately set with a standard denominator of one. An overall score of zero (the minimum) would denote that the firm has established no relevant policies and practices and has thus received the worst possible score. An overall score of one (the maximum) denotes that the firm has established policies and practices in all surveyed areas and has thus achieved a perfect score. Figures 9, 10, and 11 depict the overall distribution of survey responses in each of the three pillars.

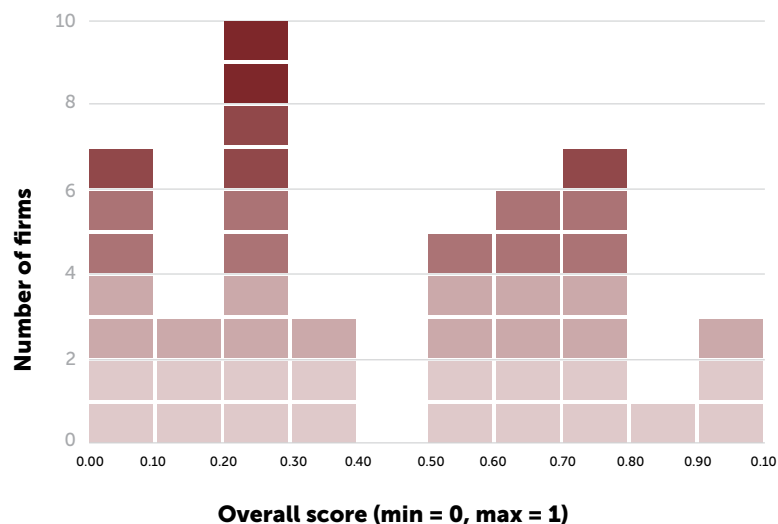


Figure 9 - Distribution of firms' overall internal organizational policies and practices scores (n = 47)

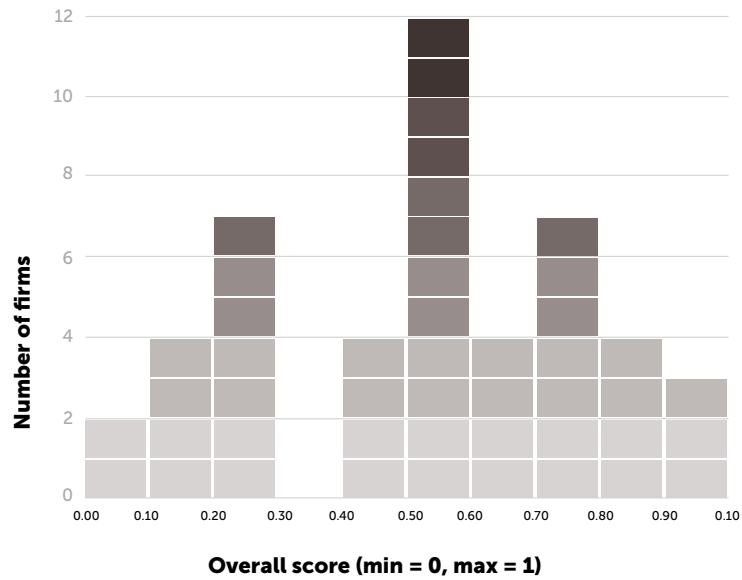


Figure 10 - Distribution of firms' overall client relations policies and practices scores (n = 47)

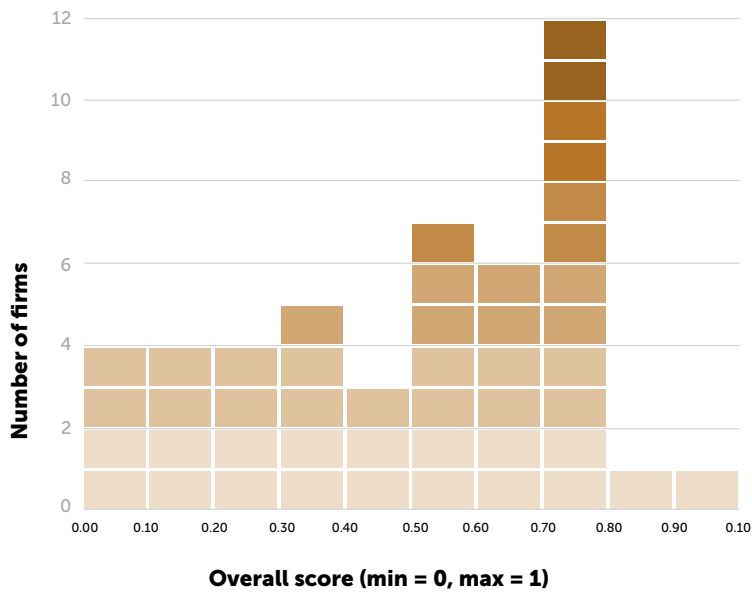


Figure 11 - Distribution of firms' overall investment and stewardship policies and practices (n = 47)

Table 3 - Numeric scores applied to survey responses for Pillars 1 and 2

SURVEY RESPONSE	NUMERIC SCORE
I don't know, no response	0
No, and I am not aware of plans to do so in the next 12 months	0
No, but we intend to within the next 12 months	1
Yes	2
Not applicable	None

Table 4 - Numeric scores applied to survey responses for Pillar 3

SURVEY RESPONSE	NUMERIC SCORE
I don't know, no response	0
No, and I am not aware of plans to do so in the next 12 months	0
No, but we intend to within the next 12 months	0.5
Occasionally	1
Often	1.5
Always	2

SUMMARY STATISTICS

Figures 13, 14, and 15 provide additional summary statistics on the survey responses. The figures depict 1) the average score earned by each quantitative question based on the numeric scores presented above for each pillar assessed, 2) the standard deviation of the scores, which indicates how much the answer to the question varied across firms, and 3) the response rate to each question.

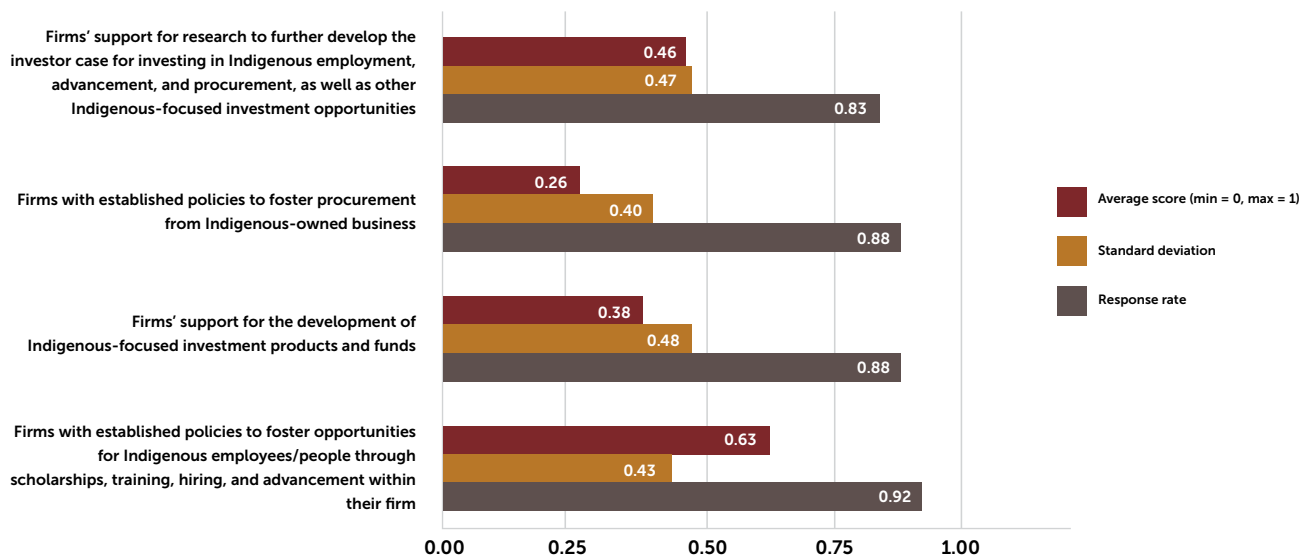


Figure 12 - Summary statistics for questions related to internal policies and practices (n = 47)

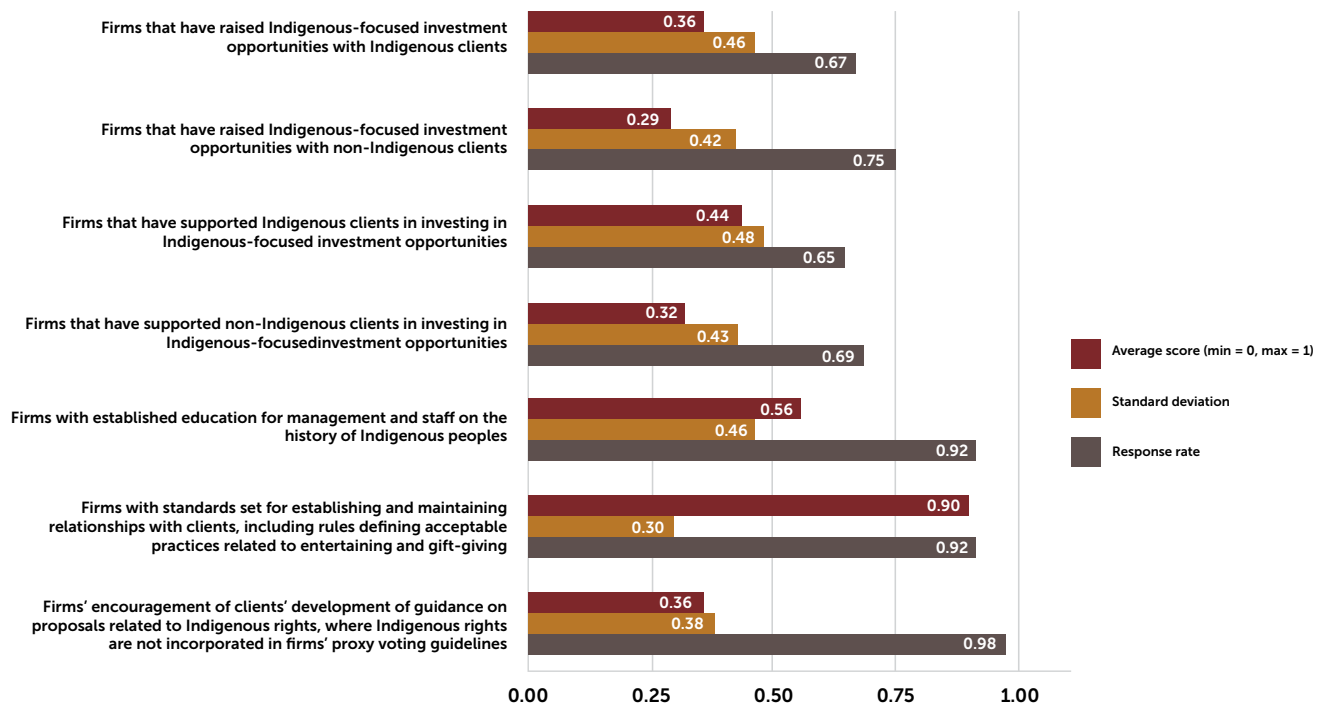


Figure 13 - Summary statistics for questions related to client relations policies and practices (n = 47)

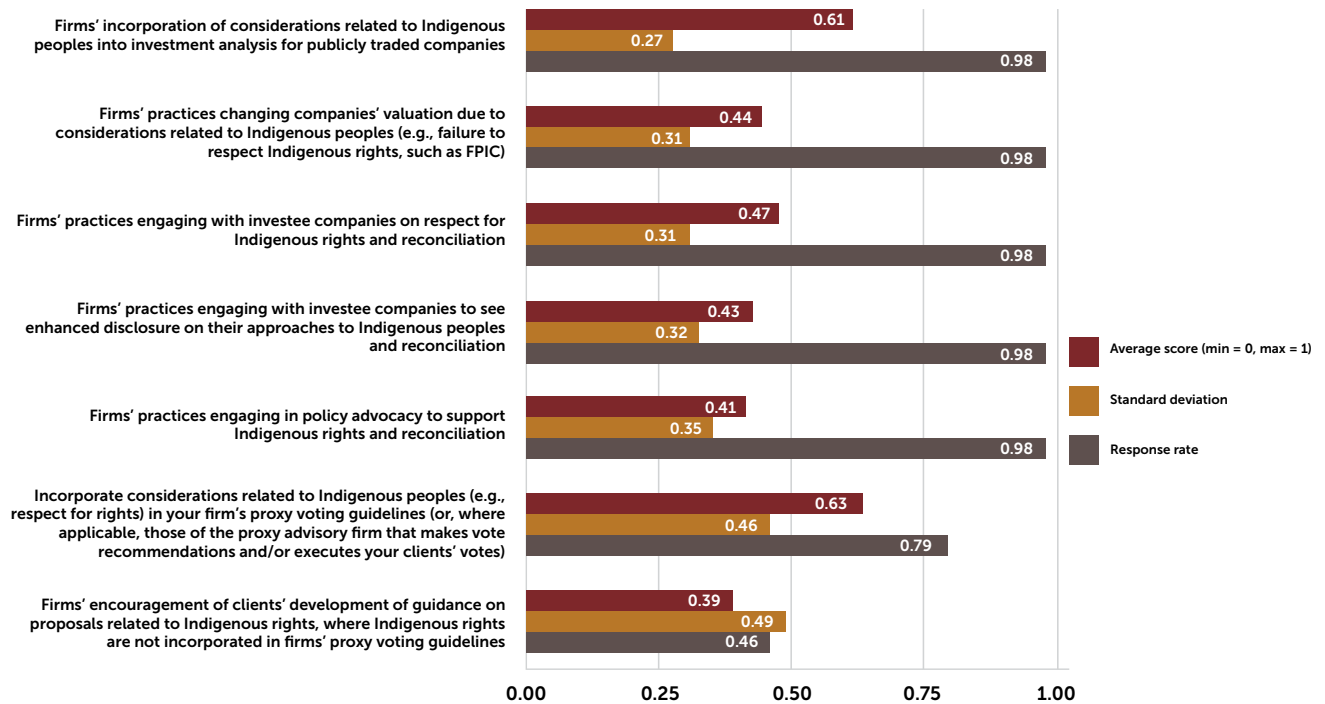


Figure 14 - Summary statistics for questions related to investment and stewardship policies and practices (n = 47)

ENDNOTES

1 SHARE and the Canadian Council for Aboriginal Business. 2019. Moving Capital, Shifting Power: Identifying Opportunities for Investors to Enhance Demand for Indigenous Employment, Advancement and Contracting. Available at <https://share.ca/wp-content/uploads/2019/06/SHARE-CCAB-Report-HighQuality.pdf>

2 Truth and Reconciliation Commission of Canada. 2015. Calls to Action. Available at http://trc.ca/assets/pdf/Calls_to_Action_English2.pdf

3 Fredericks, C. F., Meaney, M., Pelosi, N., & Finn, K. R. 2018. Social Cost and Material Loss: The Dakota Access Pipeline. U of Colorado Law Legal Studies Research Paper No. 19-1. First Peoples Worldwide. Available at https://www.colorado.edu/program/fpw/sites/default/files/attached-files/social_cost_and_material_loss_0.pdf

4 Most prominently the federal government recently introduced Bill C-15: An Act respecting the United Nations Declaration on the Rights of Indigenous Peoples in the House of Commons in December 2020. The government of the Province of British Columbia also passed legislation in November 2019 to implement UNDRIP through the Declaration on the Rights of Indigenous Peoples Act (DRIPA).

5 Reconciliation and Responsible Investment Initiative. 2019. Advancing Reconciliation in Canada: A Guide for Investors. Available at <https://reconciliationandinvestment.ca/wp-content/uploads/2019/04/RRII-Guide-FINAL-2.pdf>;

Reconciliation and Responsible Investment Initiative. 2020. Investing for Today, Tomorrow, and Future Generations: A Guide for Indigenous Investors. Available at <https://reconciliationandinvestment.ca/wp-content/uploads/2020/06/RRII-Indigenous-Investor-Guide.pdf>

6 The question related to gift-giving practices was excluded from the average score because this practice is largely necessitated by investment industry regulations in Canada and was almost universally adopted by firms.

7 SHARE. 2017. "Environmental and Indigenous Rights Due Diligence." SHARE blog, 11 May 2017. Retrieved from: <https://share.ca/share-proposals/environmental-and-indigenous-rights-due-diligence/>

8 Butler, B., & Allam, L. 2020. "BHP shareholders withdraw resolution on Aboriginal heritage sites after deal struck with traditional owners." The Guardian, 13 Oct. 2020. Retrieved from <https://www.theguardian.com/business/2020/oct/13/bhp-shareholders-withdraw-resolution-on-aboriginal-heritage-sites-after-deal-struck-with-traditional-owners>

9 HESTA. n.d. "Reconciliation Action Plan." HESTA, n.d. Available at <https://www.hesta.com.au/about-us/what-we-stand-for/reconciliation-action-plan.html>

10 AMP Capital. 2019. "AMP Capital launches Reconciliation Action Plan." AMP Capital, 20 May 2019. Available at <https://www.ampcapital.com/au/en/insights-hub/articles/2019/may/amp-capital-launches-reconciliation-action-plan>

11 Melior Investment Management. 2020. "Taking Action on Reconciliation." Melior, 2 July 2020. Available at <https://meliorim.com.au/taking-action-on-reconciliation/>

12 Indigenous communities are often thought of as a single entity with unified aspirations and priorities but, like any community, they consist of diverse groups and individuals whose aspirations and priorities may vary. Deep engagement and relationship-building is thus merited; doing so will help bring community-specific aspirations and contexts to light and might expose investment firms to perspectives within the community that might otherwise have been marginalized.

13 First Nations Major Project Coalition (FNMPCC). 2021. Indigenous Sustainable Investment: Discussing Opportunities in ESG. Available at https://static1.squarespace.com/static/5fb6c54cff80bc6dfe29ad2c/t/6009dc280d5f7c464a330584/1611258929977/FNMPCC_ESG_Primer_2021_Final.pdf

14 Also see Trichur, R. 2021. "TMX backing of shareholder proposal on Indigenous inclusion will ripple through capital markets." The Globe and Mail, 7 May 2021. Available at <https://www.theglobeandmail.com/business/commentary/article-tmx-backing-of-shareholder-proposal-on-indigenous-inclusion-will/>

15 CTV News. 2020. "Mi'kmaq lobster dispute: A conflict brewing since the 1700s." CTV News, 20 October 2020. Available at <https://www.ctvnews.ca/canada/mi-kmaq-lobster-dispute-a-conflict-brewing-since-the-1700s-1.5153568>

16 Canadian Broadcasting Corporation. 2020. "Mi'kmaq-owned partnership in Clearwater Seafoods deal a 'benefit for everybody'." CBC News, 1 November 2020. Available at <https://www.cbc.ca/news/canada/newfoundland-labrador/ken-coates-clearwater-mi-kmaq-deal-1.5797069>

17 Clearwater Seafoods Incorporated. 2021. "Clearwater Seafoods Incorporated, Premium Brands Holdings Corporation and Mi'kmaq First Nations' Coalition Celebrate completion of Historic Transaction." Clearwater, 25 January 2021. Available at <https://www.newswire.ca/news-releases/clearwater-seafoods-incorporated-premium-brands-holdings-corporation-and-mi-kmaq-first-nations-coalition-celebrate-completion-of-historic-transaction-852863728.html>

18 For example, if a firm answered four questions with the responses 'Yes,' 'Yes,' 'Yes,' and 'I don't know,' the firm's average score across those questions would be $(2 + 2 + 2 + 0) / 4 = 6 / 4 = 1.5$. The scores were then divided by the maximum possible score (2) to set the maximum score value to 1. In this example, the score would be $1.5 / 2 = 0.75$ out of a maximum of 1.



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