



# ESG Great Canadian Championship State of the Industry Report



# Foreword

Philanthropic organisations steward money for the public good. They are guided by the principle to strategically deploy as much of their assets as possible in service of their mission while achieving solid financial returns.

Responsible investment has been a key vehicle in fulfilling this dual objective. However, as this market grew and became more widespread, it has become challenging to differentiate between quality offerings and those that merely co-opt the language of “responsible” or “ESG”. As such, investors wanted to find a way to collaborate, assess the sophistication of the responsible investment offering, and push the sector forward on responsible investing.

Inspired by the UK’s [ESG Olympics](#), [the Trottier Family Foundation](#), [Concordia University Foundation](#), [Skagit Environmental Endowment Commission](#), [Foundation of Greater Montreal](#), [Sitka Foundation](#), [Consecon Foundation](#), [McConnell Foundation](#), and two private trusts launched the Great Canadian ESG Championship in 2021.

Our goals were ambitious. We hoped to:

- shine a light on the best-in-class responsible investment choices available to Canadian asset owners;
- showcase appetite and demand from Canadian asset owners for credible ESG investment managers and investment vehicles, in order to push the sector forward;
- demonstrate the need for rigorous ESG standards and regulations;
- publicly promote asset managers who are industry leaders and who demonstrate tangible ESG expertise;
- create a roadmap for responsible investing best practices within the Canadian business, financial and philanthropic landscape; and,
- provide a jumping off point for asset owners with less experience or capacity to identify quality ESG investment managers.



Eric St-Pierre

**Trottier Family Foundation**

“ Participating in the ESG Championship was a unique occasion for the McConnell Foundation to join other leading foundations interested in accelerating the integration of ESG considerations into investment processes and organizations.

The Championship enabled us to understand the evolving Canadian ESG landscape in depth – its strengths, weaknesses and the opportunity set we see emerging.

We hoped that the competition would inspire participants and the wider market to adopt new and innovative approaches to the transparent, measurable integration of ESG factors.

It also offered us the chance to continue to grow our responsible investing portfolio and to help raise awareness about the expanding responsible and impact investing markets and pathways for future market growth.

The track records of the finalist managers add to the growing body of evidence and research that there is no trade-off between investing to advance our mission and achieving financial returns.

We were thoroughly impressed by the depth and breadth of many of the finalist's proposals and are pleased to be making an investment in one of their funds. We hope this competition serves as a roadmap for other investors who are looking to start or continue on their responsible investing journeys.”



Ed Piro  
McConnell Foundation



It was a privilege to be part of the ESG Championship as one of the expert panellists. There are a lot of misperceptions on what ESG is and there has been significant pushback lately. The ESG Championship provided a forum to talk about this and to provide an incentive for investment managers to win investment mandates based on their best practices.

Being part of this process to openly and transparently hear through live presentations how investment managers are using ESG as part of their investment strategy was unique and fascinating.

The presentations by the investment managers as well as the questions from the panel and the audience were illuminating.

In fact, the panellists all agreed that the presentations were much stronger at providing clarity of the investment strategy and gave us a deeper understanding than the materials we had received in advance.

The energy of the head-to-head competition in the room also added to the dynamic nature of the event. The panel discussion focused on how the bar is being raised on understanding what robust ESG and stewardship integration practices and positive impact can look like through environmental and social investment products, and how this can be communicated.

The expert panel noted several areas where they saw positive trends and improvements in practices by the participating investment managers. These included:

- Developed internal ESG data and analysis systems are not just leveraging external providers, however more transparency on the data being assessed, the weighting and analysis for investment decisions, and sharing this with clients was recommended.
- Internal capacity, expertise and training have grown substantially.
- References to compensation and incentives to drive action were raised by a number of participants as positive, but were missing the specifics to make the connection that it would impact investment decisions.
- Smaller investment firms provided high quality and sophisticated submissions despite having less resources.





It was recognized that the development of standardized taxonomies, mandatory disclosure requirements for companies and regulations on ESG disclosure standards for investment products are either in process or in their first iterations of development.

As these evolve, they will provide more clarity for investment managers. That being said, the panellists also shared thoughts on some of the opportunities to put in place to stay on top of the pace of change with ESG issues.

Many of these involve looking beyond the traditional boundaries of collaboration including active engagement with:

- Governments in the development of policies, standards and/or codes to support ongoing system changes related to ESG.
- Academics and think tanks with specific expertise on ESG issues to inform solutions and future direction.
- Civil society to understand what is happening on the ground and where there are concerns and interests from communities.



Andrea Moffat  
Expert Panel



## A rapidly evolving context



One could argue that ESG has been one of the most important trends in finance in the last decade. What used to be a niche investment strategy for 20%<sup>1</sup> of the market ten years ago (both Canadian and global) is now a mainstream investment strategy applied to more than 60%<sup>2</sup> of assets under management in Canada and close to 40%<sup>3</sup> of the global market.

There are many drivers explaining the rapid adoption of ESG integration, including greater understanding of risk profile, connection to long-term performance, and the growing attribution of ESG integration to fiduciary duty. Asset owners are developing increasingly sophisticated approaches for the assessment and selection of asset managers, asking more complex questions, and conducting deeper due diligence, rather than seeing ESG as a “tick the box” exercise.

**“The level of innovation demonstrated in this competition and the efforts that have gone into building this space are a testament to the great pace of change and advancement compared to where the industry was 15 years ago, and even just 5 years ago”.**

**Barbara Zvan**

Recently, there have been growing concerns around ESG labels being applied too broadly to financial products. By the same token, more stringent regulatory scrutiny is starting to come into effect, following allegations of greenwashing that have brought some products of the world’s largest financial institutions into question.

<sup>1</sup> 2012 Global sustainable investment review, Global Sustainable Investment Alliance, January 2013  
<sup>2</sup> 2020 Canadian RI Trends Report, Responsible Investment Association, November 2020  
<sup>3</sup> 2020 Global sustainable investment review, Global Sustainable Investment Alliance, July 2021

Important regulatory advancements have taken place over the past 12 months to address this. In October 2021, the European Securities and Markets Authorities (ESMA) published final draft rules under the Sustainable Finance Disclosure Regulation (SFDR) that require asset managers to disclose how they are integrating ESG into their funds to obtain a label, thus offering a clear distinction between financial products with environmental and social characteristics, and those with sustainable investment goals or impact objectives.

In January 2022, the Canadian Securities Administrators (CSA) published guidance to help funds, especially ESG-related funds, and fund managers to enhance ESG disclosures and ensure transparency and alignment between the marketing of ESG-related funds and the incorporation of ESG factors into investment decisions.

In May 2022, the US Securities and Exchange Commission (SEC) proposed amendments that aim to ensure that ESG-labelled funds align with the term used in the name, provide more specific disclosures on ESG strategies pursued by funds and advisers in fund prospectuses, annual reports, and adviser brochures, and provide more specific disclosures on portfolio GHG emissions, impact outcomes, and details of funds' proxy votes and ESG engagement efforts.

In essence, we are witnessing a global tightening of ESG regulations in efforts to curb greenwashing and the misleading marketing of ESG funds.

In Millani's most recent ESG Sentiment Study of Canadian Institutional Investors, investors suggested that increased regulation was welcome, particularly in response to recent media backlash towards ESG and greenwashing allegations<sup>4</sup>.

This scrutiny, coupled with increasing regulation, is signalling to market participants that ESG is regarded to be as material as other investment parameters.

Through this uncertainty, asset owners are looking to identify best practices and publicly engage with investors that are "walking the walk" on ESG, as well as help other asset owners in making investment decisions aligned with their ESG and sustainability objectives.



<sup>4</sup> Semi-Annual ESG Sentiment Study of Canadian Institutional Investors, Millani Inc., July 2022

# Objectives and drivers of the Great Canadian ESG Championship



In the summer of 2021, nine asset owners were driven to align their investments to their organizational missions and objectives.

Six philanthropic foundations, one university endowment fund and two private trust funds wanted to indicate to the market that there is significant capital looking for the best investment strategies that are credibly integrating ESG factors.

This brought about the idea of demonstrating best practices, moving the asset management sector in Canada, and raising the bar on ESG integration.

**“The co-investors aimed to voice the fact that we want our money invested this way, and we felt the market was ripe and ready for this competition”.**

**Eric St-Pierre**

Together, the co-investors pledged a pool of \$90M CAD to shine a light on the top ESG integration strategies available to Canadian investors, publicly promote asset managers who demonstrate a robust and innovative ESG integration approach and help other asset owners in making investment decisions aligned with their ESG and financial objectives.



## The 9 co-investors and overviews of their respective missions

<p><b>Trottier Family Foundation</b></p> <p><b>Private Foundation</b></p> <p><i>Create meaningful impact that improves the lives of Canadians</i></p>	<p><b>Skagit Environmental Endowment Commission</b></p> <p><b>Endowment Fund</b></p> <p><i>Established to ensure the preservation and protection of the natural and cultural resources and recreational opportunities of the Upper Skagit Watershed TO the highest North American management standards through advocacy, promoting international collaboration and strategic partnerships and investments.</i></p>	<p><b>McConnell Foundation</b></p> <p><b>Private Foundation</b></p> <p><i>Contribute to diverse and innovative approaches to address community resilience, reconciliation, and climate change</i></p>
<p><b>Fondation du Grand Montréal</b></p> <p><b>Community Foundation</b></p> <p><i>Dedicated to the collective well-being of Greater Montreal</i></p>	<p><b>Concordia University Foundation</b></p> <p><b>University Foundation<sup>5</sup></b></p> <p><i>Build and sustain inter-generational wealth for its future generations</i></p>	<p><b>Sitka Foundation</b></p> <p><b>Private Foundation</b></p> <p><i>Be a catalyst in the conservation of nature and the protection of biodiversity</i></p>
<p><b>Consecon Foundation</b></p> <p><b>Private Foundation</b></p> <p><i>Protect local and national natural environments and wildlife for future generations</i></p>	<p><b>Private Trust 1</b></p> <p><b>Trust Fund</b></p> <p>NA</p>	<p><b>Private Trust 2</b></p> <p><b>Trust Fund</b></p> <p>NA</p>

<sup>5</sup> The investment arm of Concordia University for its operational and strategic needs

Despite these common goals, the nine co-investors have different structures, investment strategies, processes, financial objectives, and ESG priorities.

Aligning on a single definition of “best-in-class” ESG integration supported by all co-investors proved to be challenging, given their different views and priorities. The following definitions were used as guideposts through this process, to ensure clarity among all stakeholders.

- ESG integration: explicit and systematic consideration of environmental, social and governance factors in the investment decision-making process, from investment analysis to stewardship activities<sup>6</sup>
- Impact: investments made with the intention to generate specific, positive, and measurable social and/or environmental impact alongside a financial return<sup>7</sup>

It should be noted that ESG integration and impact investing are not mutually exclusive investment strategies.

One does not assume the other, meaning that impact investing does not mean ESG factors are being integrated, and ESG integration does not mean impact outcomes are being sought and measured.

Considering their common goals, the co-investors aligned on the fact that the Great Canadian ESG Championship would be a competition on evaluating ESG integration within the investment processes and stewardship activities, with a consideration of the firm and fund's ESG objectives and approach to achieving them.



<sup>6</sup> Global Sustainable Investment Alliance  
<sup>7</sup> Global Impact Investing Network

# A thoughtful process to ensure a successful Championship

## Competition infrastructure

The Great Canadian ESG Championship was inspired by the ESG Investing Olympics that took place in the UK in 2020. The structure of the competition was adapted and created around four key building blocks:

### Preparation and sharing of the Request for Proposal (RFP)

- The co-investors, in collaboration with Millani and Normandin Beaudry, spent several weeks preparing the assessment grid for both the ESG and financial assessments, to ensure alignment with the goals of each co-investors and the greater goals of the competition, aiming to attain a clear and robust assessment methodology while allowing space for innovative ideas from managers.
- From this assessment grid, the RFP questionnaire was prepared and an open call for proposals was shared across multiple distribution channels to reach as many asset managers as possible, including large established asset managers as well as emerging managers across three asset class categories.

### Analysis of the submissions and identification of finalist

- 60 submissions were received out of more than 160 asset managers invited through the open-invitation process.
- The ESG assessment was analysed for the 60 proposals by ESG advisory firm Millani. The top 21 proposals were then analysed for the financial assessment by Normandin Beaudry. Both scores informed the identification of the top 11 finalists.
- The initial scope of finalists was expanded given the quality of applications received.

### Live pitch from finalists

- A live event was organized in the format of a “Dragon’s Den” session, where each of the 11 finalists was asked to pitch their investment approach in 10 minutes.
- Each pitch was followed by a 5-minute Question & Answer period from a carefully selected panel of three Canadian ESG experts: Andrea Moffat, Vice President of the Ivey Foundation; Daniel Simard, Management’s Advisor – Æquo Shareholder Engagement Services Inc.; and Barbara Zvan, President and CEO of the University Pension Plan.
- The presentations of each asset categories was concluded by an “on-stage duel” among the finalists, answering questions from the expert panel and the audience.

### Asset allocation decisions

- Asset allocation decisions were made by the investment committee of each of the participating co-investors. These decisions were based on the ESG alignment as well as the financial alignment of the finalists’ strategies with the co-investors’ objectives.

## Learnings from the process

The response rate to the competition was deemed a success. Almost 40% of targeted managers submitted 40-to-100-page proposals with supporting documents within a 28-day time limit, speaking to the appetite for such competition and exposure.

There were inevitably some limitations that could be reflected upon for future competitions. Despite the broad dissemination strategy, a few asset managers only heard about the competition after the submission deadline had passed. A consideration for future competitions would be to explore improvements on promoting the RFP, while managing the timelines and capacity of the organizing teams and partners.

Another challenge was that the scope of assessment was limited to the written submissions, meaning that interviews were not conducted. The identification of the top finalists was based strictly on responses (and supporting documents) to the RFP to ensure fairness among the participating asset managers.

This highlighted the need to have a strong connection between investment teams and marketing and business development teams, so that materials in proposals and marketing documents represent a complete picture of the firm's practices, as well as the fund being pitched.

## Three asset categories

The co-investors were interested in different asset classes for their investments.

As such, the competition was divided into three asset categories to account for diverse investor needs:

Category 1	Category 2	Category 3
<b>Listed Equity &amp; Fixed Income</b>	<b>Alternatives</b>	<b>Multi-Assets</b>
Distinguished listed equity or fixed income products	Real estate, infrastructure, private equity, hedge funds	Strategies combining multiple asset classes
61% of submissions	27% of submissions	12% of submissions

## Two independent assessments and adaptive criteria

The Great Canadian ESG Championship evaluation was built on two pillars: an ESG assessment and a financial assessment. The particularity of this ESG Championship was that asset managers were first selected based on the score obtained from the ESG assessment.

Following this preliminary screening, retained proposals were assessed for their financial performance. Asset managers with the highest average score between the ESG and financial assessments across each of the categories were shortlisted as finalists.

The competition was built to be as inclusive as possible of all types of assets managers. Evaluation criteria were adjusted to account for asset class, type of investment strategy (top-down/bottom-up), firm size & emerging managers, and state of the industry and the need for comparative assessments for some criteria.

As such, the assessment criteria were the following:

	ESG assessment	Financial assessment
Scope	<ul style="list-style-type: none"> <li>Fund and Firm</li> </ul>	<ul style="list-style-type: none"> <li>Fund and Firm</li> </ul>
Minimum requirement	<ul style="list-style-type: none"> <li>PRI signatory</li> <li>Emerging managers exempted from the PRI signatory status requirement and instead expected to present a responsible investment policy</li> </ul>	<ul style="list-style-type: none"> <li>Canadian domiciled funds</li> </ul>
Criteria	<ul style="list-style-type: none"> <li>Governance of responsible investment</li> <li>Responsible investment processes and practices pre- and post-investment</li> <li>Active ownership (engagement and proxy voting, where applicable)</li> <li>Reporting on responsible investment practices and ESG information</li> <li>Climate strategy of the firm</li> <li>Carbon footprint measurement</li> <li>Equity, Diversity &amp; Inclusion (ED&amp;I) measures within the portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Firm ownership structure</li> <li>Investment expertise within the team</li> <li>Firm-wide ED&amp;I policy</li> <li>Financial analysis process</li> <li>Three-year track record</li> <li>Fee structure</li> </ul>

Climate change and ED&I were the only ESG topics that were explicitly assessed given their global systemic nature. Indigenous reconciliation is an important topic within the Canadian market and is part of the mission for some of the co-investors.

This ESG topic was not explicitly part of the assessment criteria given the global nature of submitted investment funds, but is taken into consideration in final asset allocation decisions by some co-investors.

**“In Canada, one of our biggest issues is reconciliation with indigenous people and there’s some really interesting opportunities to set up partnerships for equity ownership, particularly as we think through where we need to go in terms of net zero development”.**

**Barbara Zvan**

Two market experts were chosen to support the co-investors in developing and conducting these deep assessments: Millani Inc., an independent ESG advisory firm, and Normandin Beaudry, an independent investment consulting, actuarial and total rewards firm.

Both processes were developed and assessed independently to respect the nature of the competition.

Millani was fundamental in facilitating discussions between the nine co-investors to align on the ESG assessment process. The firm leveraged its most up to date knowledge of the ESG landscape and independent views of the market to develop the RFP, the ESG evaluation criteria, and the associated scoring methodology.

After evaluating the ESG proposals of 60 participants, Millani identified the asset managers that scored in the top 30% of their asset category. This resulted into 21 proposals being subject to the financial assessment.

Normandin Beaudry collaborated with Millani and the co-investors and contributed to the development of the financial component of the RFP, financial evaluation criteria and associated scoring methodology. It evaluated the financial component of the proposals for the 21 asset managers with the highest ESG scores by category identified by Millani.

The average score between the ESG and financial assessments resulted in the identification of the top 11 finalists. Following the live pitch session, Millani and Normandin Beaudry supported the co-investors in the selection of finalists under each category, and identification of honourable mentions, by sharing their independent ESG and financial views.

## Outcomes & Observations



The ESG space has evolved significantly over the past decade, and the outcomes of this Championship reflect this progress. There were surprises in how much some firms have advanced on their ESG strategies, with new and smaller managers scoring high enough to proceed to the financial assessment stage and be included among the finalists.

This also demonstrated that more resources do not necessarily lead to better, or more advanced, ESG practices.

Several smaller and emerging managers presented sophisticated and well-articulated implementation strategies of their ESG approach while some larger firms submitted incoherent proposals.

This disconnect between what is portrayed and what is actually done could be the result of a lack of coordination between marketing and investment teams.

While some applications focused on the “why” behind ESG, the purpose of this competition was to get into the “how”, and understand the operationalization of ESG integration and stewardship.

The latter sits in the hands of investment teams but should be well understood by marketing teams in order to meet evolving market expectations and regulatory scrutiny.



Another important observation is that the line remains blurred between ESG and impact, despite market progress. There is a growing focus on impact, as the PRI has increased its attention on sustainability outcomes.

This was also reflected by the audience choice being awarded to an impact fund. However, the competition highlighted that leading an impact investing strategy does not imply that material ESG factors are being integrated and assessed in the process. Various impact solutions have been proposed but lacked strong ESG integration and stewardship practices.

Although the ability to track and measure outcomes was taken into consideration in the assessment, the primary objective of this ESG Championship was to assess how investment managers are addressing material ESG factors within their portfolios, notwithstanding impact objectives. As such, proposals that focused solely on impact did not surface among the finalists.

**“Several initiatives were presented related to impact. However, there is a lot of divergence and inconsistency in how the impact is measured, as well as how in-depth the impact assessments are. More examples and stories from firms to help demonstrate how they’re implementing their approach will be a good way to showcase their approach to impact investing and measurement”.**

Andrea Moffat

## Some common areas of excellence

The ESG Championship attracted a large diversity of asset managers, investment strategies and asset classes. Participants spanned from some of the largest institutional investment managers in the country to several emerging managers.

Not surprisingly, there were few common areas of excellence among the different criteria assessed. This confirms that ESG integration as an investment approach is not a “one size fits all” approach. Rather, it is meant to be adapted to each managers’ investment thesis and strategy in order to add value.

There were two notable areas of excellence across the 60 proposals; Governance of responsible investment being one of them. This is an important pillar of a responsible investment and ESG integration strategy, one that has been at the center of the UN PRI’s focus and requirements of its signatories for the past few years.

The vast majority of asset managers had comprehensive responsible investment policies, providing useful details to portray their ESG integration and stewardship approaches across all investment activities. The second common area of excellence was the level of ESG research and due diligence conducted by asset managers. 76% of managers demonstrated solid research processes and methodologies related to the assessment of ESG factors for investment opportunities.

Most managers complement third party ESG research with their own research and have developed proprietary tools to capture their assessment decisions and track progress.

However, without proper levels of transparency around these tools, this can turn into a “black box” for asset owners, representing a disadvantage to asset managers.

**“A lot of asset management firms developed proprietary and internal ESG data and rating systems. While this demonstrates a certain level of commitment, the proprietary tools are often a ‘black box’ and render asset owners the task of validating the robustness of the ESG assessment process more difficult. More transparency is needed”.**

Daniel Simard

While there were few common strengths overall, there was a greater aggregation of best practices by asset category. The Listed Equity and Fixed Income (Category 1) participants demonstrated clear ESG research and assessment processes, in addition to leveraging collaborative engagement and proxy voting as mechanisms to share and express views on ESG related matters.

The Alternative (Category 2) participants demonstrated thoughtful ESG integration processes within risk monitoring activities, in addition to greater responsible investment and ESG reporting and disclosure.

Finally, the Multi-Asset (Category 3) participants demonstrated similar strengths as Category 1, in addition to most managers having a climate strategy and reporting.

The levers and ability to engage vary greatly depending on the type of investment. As such, each asset class may excel differently based on how well they utilize their resources to integrate ESG considerations and achieve sustainability-related outcomes.



## Areas for improvement... and opportunities!

Despite noticeable advancement and sophistication of ESG integration strategies, there remains several areas for improvement, and therefore differentiation, for asset managers.

### *Divergence of practices applied at the fund vs. the firm level:*

The evaluation exercise was not limited to flagship ESG investment products put forward by asset managers, as it included some important considerations of firm-wide strategies and criteria across both the ESG and financial assessments.

There is still work to be done by asset managers to ensure ESG considerations and sound responsible investment practices are integrated throughout the organisation, not just in products labelled as “ESG” or “sustainable”.

Demonstrating alignment between practices applied at the fund level and the firm level adds to the credibility and cohesion of ESG integration.

### *Walking the walk... and talking the talk:*

Several proposals lacked clarity, with vague and sometimes incomplete answers, thus affecting investors' ability to score full points. The competition applied the same rigor of analysis to ESG as it did to the financial analysis.

Despite asset managers' ability to provide clear, precise responses relating to financial performance, there was often a skewed focus on the drivers behind the firm's ESG strategy and alignment with values, rather than a focus on the operationalization of the strategy, explaining how ESG is integrated through investment activities.

More coordination is needed between investment and marketing teams. In many cases the marketing language did not clearly articulate the link between ESG and investment decision-making processes at the depth required by the Championship.

**“The written material did not nearly convey the information and essence presented in the 10-minute pitch. Managers need to think about how to articulate their stories in a way that adds value and transparently reflects the work they are doing”.**

Andrea Moffat

### ***Making the link to compensation:***

Only 15% of managers demonstrated a clear compensation scheme linked to ESG integration and performance.

This is considered to be one of the most powerful levers for credible and effective implementation, as it speaks to the strategic importance and priority of ESG. It was often raised by the Expert Panelists during the live pitch session.

**“The next focus and differentiator for leaders will be linking compensation to ESG performance in a more tangible way to enable the attainment of sustainability goals.”**

Barbara Zvan

### ***Integrating ESG in stewardship activities:***

While the integration of ESG factors into the pre-investment phase was a common area of excellence, the integration of such factors in the post-investment phase, particularly within engagement activities, was weak.

Only 34% of participants demonstrated formalized engagement processes with an explicit integration of ESG factors.

In addition, only 22% of participants are tracking outcomes of their engagements. The PRI has been moving investors to focus on outcomes instead of outputs of engagement activities and track the performance of corporates on different ESG factors.

**“It becomes evident that in most cases, asset managers conduct engagements with firms to gain a better understanding of their business and ESG context, rather than to seek ESG outcomes. More details on the engagements conducted, how progress is measured, and how objectives are determined, would be necessary to truly understand the robustness of the engagement strategy.”**

Barbara Zvan

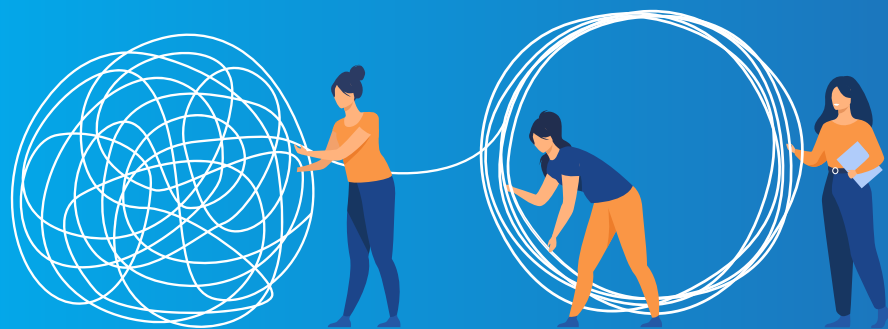
### ***Measuring and disclosing ESG data at the fund and firm level:***

Carbon footprint data was a desire from the co-investors as they themselves are looking to measure and report their carbon footprint. To do so, they need data from asset managers.

22% of participants measure and disclose their scope 1 and 2 emissions, while 27% of participants also measure (or are attempting to measure) and disclose scope 3 emissions.

There was also a desire by co-investors to have a deeper understanding of Equity, Diversity & Inclusion (ED&I) within the submitted portfolios. 34% of asset managers demonstrated tracking of ED&I data within their portfolio that aligned with strategic pillars of the organisation.

## Call to Action:



The Great Canadian ESG Championship, the first competition of its kind in Canada, provided great insights on the state of ESG integration within asset management activities in Canada.

The outcomes speak for themselves: there were more finalists than anticipated, demonstrating great progress from the market.

Both emerging managers and large institutional investment managers were selected, demonstrating that ESG is not just a matter of resources and that the market as a whole is getting more sophisticated around ESG.

However, more can still be done, particularly to increase robustness and transparency of processes. All market players can contribute through different forms of collaboration.

There is room for this industry to grow, but it must grow in the right way to retain stakeholders' confidence.

- **For Asset owners**

- Develop sophisticated assessments of ESG integration for the selection and monitoring of external managers to strive for transparent and tangible views on the operationalization of ESG integration and stewardship from asset managers.
- Clarify asset owner expectations for stewardship and systemic issues (e.g., climate change, equity, diversity, Indigenous reconciliation) and explore opportunities for asset owner collaborative initiatives to address these issues.
- Collaborate with asset managers to continuously improve their ESG strategies and advance their commitments, and thus maintain strong reputational capital for the responsible investment movement



- **For investment managers**

- Provide transparent and tangible answers to asset owners with explicit examples of how investment strategies are being implemented (ESG analysis, engagement, proxy votes...).
- Ensure alignment between the firm and the fund's ESG practices, as well as between marketing and investment teams.
- Develop more robust and formalized engagement strategies, with a focus on outcomes for different ESG factors.
- Collaborate and engage with various market players across the industry to improve practices and measurement frameworks, as well as to set a common terminology and regulatory standards, and thus collectively build the ESG market.

**“One way for asset managers to develop a deeper understanding of ESG risks and opportunities would be to collaborate with academic and research institutions that are making excellent progress on modelling ESG complexities and developing quantification methodologies that can be applied more explicitly in the investment process”.**

Barbara Zvan

- **For regulators**

- Provide further guidance on the link between ESG and fiduciary duty.
- Respond to the need for more standardization of language and nomenclature. Upcoming changes in the regulatory landscapes, such as the SFDR, SEC, and CSA efforts should lead to more clarity and increased focus by asset managers.
- Increase disclosure requirements for asset managers on how they take ESG factors into account, including systemic issues such as climate change and diversity.

**“Terminology and nomenclature are confusing and add to the risk of greenwashing. As an industry there needs to be a commitment to standardizing the language”.**

Barbara Zvan

The co-investors would like to thank all parties who have been involved in organising and making this competition a success: the partners Millani, Normandin Beaudry and Argyle, the expert panelists Andréa Moffat, Daniel Simar and Barbara Zvan, Colins Baines from the from the UK ESG investing olympics, and in particular the 60 asset managers who have submitted proposals.

